Austria Sch. 18	Indonesia Rp 2500	Portugal Esc 80
Bahrain Din 0.650	Italy L 1300	S. Arabia Rls 6.00
Belgium BFr 42	Japan Y550	Singapore S$4.10
Canada C$1.00	Jordan Fils 500	Spain Pta 110
Cyprus C£0.50	Kuwait Fils 500	Sri Lanka Rup 30
Denmark Dkr 7.25	Lebanon £L 6.00	Sweden Skr 6.50
Egypt E£1.00	Luxembourg LFr 42	Switzerland SFr 2.20
Finland Fmk 6.00	Malaysia Rls 4.25	Taiwan NT $65
France Fr 6.00	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.20	Morocco Dh 6.00	Turkey L 710
Greece Dr 70	Netherlands Fl 2.50	UAE Dh 6.50
Hong Kong HK$ 12	Norway Nkr 8.00	U.S.A. $1.00
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,766 — Wednesday October 30 1985 — D 8523 B

Dutch resistance to cruise missiles crumbles, Page 2

World news

UK sets up spy case inquiry

The British Government announced an independent inquiry into the Cyprus secrets case, in which eight servicemen were acquitted of Official Secrets Act charges in the UK's longest and most expensive spy trial, estimated to have cost £5m ($7.1m).

Prime Minister Margaret Thatcher, promised a full report to parliament after consulations with the chairman of the Security Commission.

She revealed that the case was referred to the Security Commission in June 1984 because of the gravity of the apparent breaches of security. The inquiry will look into the conduct of investigations by the Royal Air Force and Army police. Page 11

Indian spy charge

India was hit by a new spy scandal when businessman Rama Swaroop was charged with passing secrets to Israel, West Germany, Taiwan and several unnamed countries.

Bhutto 'freedom'

Pakistani opposition leader Benazir Bhutto is expected to be freed from house arrest in a few days so that she can go to France for an inquiry into the death of her brother, police officials said.

Bombay clash

About 2,000 striking taxi drivers clashed with police in Bombay. At least 15 officers were injured.

Rebels kill two

Maoist rebels in Peru burned an Indian hamlet and executed two peasants said to be collaborating with the army in an attempt to halt defections from the Sendero Luminoso guerrilla movement.

Nigeria reviews case

Nigerian military authorities said they were setting up a panel to review the case of former President Shehu Shagari, who has been under house arrest since his overthrow by the army in 1983.

Students 'tortured'

South Korean opposition leader Kim Young-Sam accused the authorities of torturing some of the 26 students arrested on charges of trying to topple the Government.

Sakharov move

Yelena Bonner, wife of banished Soviet physicist Andrei Sakharov, has been given permission to leave the Soviet Union for medical treatment, Soviet journalist Victor Louis said. Page 2

Dublin kidnapping

The wife of a senior American Express executive in Dublin was kidnapped by an armed gang and held for ransom for the second time in 18 months.

Victory for Doe

Liberian military ruler Samuel Doe was declared the victor in a presidential election which his opponents said was marked by intimidation and widespread irregularities. Page 3

Indonesia astronaut

Indonesia named a woman scientist as its first astronaut. She will take part in a U.S. space shuttle mission next year.

Times editor dies

Charles Douglas-Home, editor of the Times of London, died aged 48 after a long illness. Obituary, Page 11

Piggott's farewell

Lester Piggott rode his 4,349th and last winner – Last Choke – on a British race course. He plans more riding in the U.S. and Australia before retiring after Christmas.

Business summary

M & S leads London to peak

A FRESH influx of investment funds swept many London shares to new peaks, with Marks & Spencer's better-than-expected interim results providing a further boost.

The FT Ordinary Share Index closed up 12.7 at a record 1061.3, compared with the previous high of 1051.8 reached on October 24 1985. The FTSE 100 gained 18.8 to 1384.4, overtaking the October 24 peak of 1349.8. Page 38

Marks & Spencer's pre-tax interim profits were 22 per cent up at £137.7m. Page 20; Lex, Page 16

WALL STREET: The Dow Jones industrial average closed up 8.74 at 1,368.73. Page 34

TOKYO stocks turned lower in lacklustre trading. The Nikkei market average lost 23.12 to 12,913.92. Page 34

DOLLAR lost ground in London, closing at DM 2.621 (DM 2.643), SwFr 2.149 (SwFr 2.167), FFr 8.0025 (FFr 8.055) and Y212.3 (Y213.5). On Bank of England figures, the dollar's exchange rate index fell from 130.6 to 130.0. Page 27

STERLING gained 75 points against the dollar in London to close at $1.435. It was lower, however, at DM 3.7625 (DM 3.7725), SwFr 3.085 (SwFr 3.0925), FFr 11.485 (FFr 11.4975) and Y304.5 (Y304.75). The pound's exchange rate index rose to 80.8 from 80.6. Page 27

GOLD In New York the Comex December settlement was $329.3 fell 75 cents on the London bullion market to $326.90 and was down 20 cents in Zurich to $326.55. Page 26

BRITAIN's manufacturing companies reported that the outlook for industry's costs was the best for 18 years, but said business confidence had weakened and export orders had levelled off. Page 12

TRAVEL companies in Britain continued their avalanche of price cuts for package tours as the head of the country's travel agents' federation expressed alarm about the financial consequences for the industry. Page 12

CHANNEL TUNNEL Group, one of four competitors for a contract to build a fixed link between Britain and France, said it had received provisional commitments of up to £4.2bn ($6bn) in development loans from 31 international banks. Page 16

MASSEY-FERGUSON, Canadian-based farm-equipment group, is to invest a further £60m ($85m) at its tractor plant in Coventry, England, but up to 500 jobs are likely to be shed because of increasing automation. Page 12

SAFEWAY STORES, U.S. supermarket group, is to raise £40m with a £100m issue of "deep discount stepped-interest loan stock," a new form of bond in the British market. Page 16; International Capital Markets, Page 17

KOHLBERG Kravis Roberts, the Wall Street investment firm, sweetened its cash-and-paper leveraged buyout bid for Beatrice Companies, the U.S. food and consumer products group, by $2 a share to $47 a share, or a total of $5.12bn. Page 17

ALLIED-LYONS attacked a consortium of banks, led by Citibank of the U.S., which is involved with the Australian brewing company Elders IXL in a £1.8bn ($2.56bn) takeover bid for the British food and drinks group. Page 21

STANDARD CHARTERED, international bank based in London, is to reduce its stake further in its South African affiliate Stanbic from 42 per cent to 38 per cent. Page 21

XEROX, the U.S. office equipment group, posted a $15m third-quarter loss after taking previously announced charges totalling $164m related to the restructuring of its Crum and Forster insurance subsidiary. Page 17

PIRELLI and IBM are to launch a 50-50 joint venture company in the building security sector with an initial capital of $4.5m. Page 17

Tin talks continue as LME seeks £50m crisis fund

BY STEFAN WAGSTYL IN LONDON

THE INTERNATIONAL Tin Council, meeting in London, will today resume its emergency session called in the wake of the collapse of the world tin market.

Members of the producers' and consumers' price pact last night adjourned after six hours of talks to consult their governments about plans to refinance their efforts to control tin prices.

The London Metal Exchange, the world's leading metals market, has tried to restore confidence in its market-place by asking traders with outstanding ITC contracts to lodge a total of over £50m ($71m) against possible losses.

In other developments, Bolivia has warned that the threat to the value of its tin exports is desperate. In Brazil, a fall in shares in the leading tin producer has hit the São Paulo Stock Exchange, and in Britain, Members of Parliament representing Cornwall have pressed, the Government for action to secure the future of the country's tin mining industry.

Delegates of the 22 ITC members met yesterday behind closed doors to review the crisis, which blew up last week when the ITC announced that it had run out of money to support tin prices and trading was suspended on the London Metal Exchange.

After the meeting, delegates said they were determined to keep the ITC going and to honour its obligations. But some warned that it would take time for governments to approve extra finance and any decision to lower the tin price to levels where it is more easily defended. One delegate said that yesterday's meeting had not considered a single concrete proposal.

Fears that the ITC might not reach a settlement – at least not by the end of today, when the emergency meeting is scheduled to finish – were reinforced by comments made by Datuk Paul Leong, Primary Industries Minister of Malaysia, the largest producer.

He warned that the London Metal Exchange should consider the possibility of a tin market without the intervention of the ITC's buffer stock manager (who controls the price support schemes) in the near future.

Datuk Leong said the world tin surplus meant it was no longer possible to defend prices at current levels.

Malaysia and other producers are concerned that adding to the ITC's stockpile of some 62,000 tonnes of tin, worth just under £500m ($710m) would only encourage non-ITC producers, including Brazil and China, to step up production.

At the London, Metal Exchange, where tin trading has been suspended at least until the end of today and possibly until Monday, the ruling board and committee has attempted to restore confidence by asking the 14 ring-dealing members with outstanding contracts with the ITC to pay security deposits of £1,000 for each tonne of metal involved.

Mr Michael Brown, chief executive, said that all 14 had met this request to the board's satisfaction.

These traders have paid up just over £50m, or an average of more than £3m each, to cover contracts for a total of some 52,000 tonnes of tin. Assuming that the tin was bought at an average of £9,000 a tonne, the total ITC debt to exchange members is about £470m. The potential loss would then be £50m for every £1,000 the price falls below this figure. It was suspended at £8,140 on Thursday.

Despite the assurances of the exchange's authorities, some traders are taking no risks, refusing to take

Continued on Page 16

Future of LME; Banks' involvement, Page 26

Chicago Pacific acquires Hoover for $532m

By Terry Dodsworth in New York

HOOVER, the 77-year-old company whose name is virtually synonymous with vacuum cleaners, has agreed to a $532m takeover in a further shakeup of the U.S. household products industry.

The Ohio-based group announced yesterday that it had signed a definitive agreement on a cash tender offer of $43 a share from Chicago Pacific, a former railway company. Agreement came only two weeks after Chicago Pacific, which used to be known as the Chicago Rock Island and Pacific Railroad, made an initial offer at $40 a share.

Hoover has given Chicago Pacific the option to acquire almost 16 per cent of its shares in a deal which is designed to ward off alternative offers. The company added that all the Hoover board members, who are believed to own about 10 per cent of the company, had expressed their intention to tender their shares to Chicago Pacific.

Since the bid was announced, Hoover shares, which had traded as low as $24¾ over the last 12 months, have consistently changed hands at more than the price of $40 placed on them originally by Chicago Pacific. The vacuum cleaner company made it clear from the start that it was prepared to accept a higher bid, by asking its adviser, the Lazard Freres investment bank, to "explore all alternatives which may be available to maximise value."

In hectic trading yesterday, the shares jumped $1¼ to $43 by mid-afternoon.

Chicago Pacific, a cash shell after the sale of all its railway properties over the last few years, gave no indication of what it intends to do with Hoover. But its takeover comes at a time when the U.S. household products sector is going through a phase of aggressive rationalisation.

Only last year, Black & Decker, the hand tool manufacturer, acquired General Electric's small kitchen appliance division. Whirlpool, one of the leading large kitchen equipment manufacturers, is currently trying to take over Dart & Kraft's dishwasher division. Foreign producers, particularly the Japanese Matsushita concern, are also pushing into the U.S. market.

Chicago Pacific, which is run by Mr Harvey, Kapnick, former chairman of accountants Arthur Andersen, and which was carrying cash of around $256m at the end of June, has only recently emerged as a company aiming to expand through takeovers. Last year it launched an abortive $1.6bn bid for Textron, the Connecticut conglomerate.

Banks call for negotiations on Baker plan

BY STEWART FLEMING IN WASHINGTON

REPRESENTATIVES of major international banks who have lent to developing countries yesterday broadly endorsed the U.S. Treasury's initiative to accelerate growth in the Third World.

They made it clear, however, that further negotiations would be required before they could commit themselves to the increased bank lending called for by Mr James Baker, the U.S. Treasury Secretary.

The bankers in particular, want governments to play a bigger role and, by implication, to provide additional money through export credit agencies, in boosting the flow of funds to the 15 countries targeted by Mr Baker for increased lending. This is according to Mr Andre de Lattre, head of the Institute of International Finance, a bank-owned "think tank" based in Washington.

Mr de Lattre made clear yesterday that the institute did not have the role of negotiating with the governments either of creditor nations or debtor nations.

Mr de Lattre said that the representatives of the 60 banks who attended the meeting at the IIF on Monday had expressed a general support for a more co-ordinated approach "to the debt problem" and for Mr Baker's proposal aimed at helping developing nations grow out of the debt problem.

Mr Baker has called for banks to increase their lending to 15 developing countries by $20bn over the next three years and for multilateral development banks to increase their lending by $9bn but with the International Monetary Fund continuing to play a central role in the debt problem.

Commercial bankers have clearly decided that they should take Mr Baker's proposal as an opening bid in a negotiating process with creditor governments and with the World Bank. "There is a need for more information and study, especially about the role of the multilateral development banks," Mr de Lattre said yesterday, adding that "there is a wish for more involvement of creditor governments."

He maintained that the commercial banks had broadly maintained their share of lending to developing countries in recent years, but that official lending (outside the World Bank and the IMF) had declined and that there was a need "to restore a larger share for official, especially export credit, agency" loans.

He said that talks needed to be held by the banks with their governments and also with bank regulatory authorities "to see how new loans can be best dealt with by the regulators so there is no impediment to new lending." Discussions were needed with the World Bank

Continued on Page 16

London SE bid to avert foreign split in market

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE LONDON Stock Exchange is expected to discuss the possibility of setting up an international securities exchange with foreign bankers and brokers operating in London.

A meeting of the 52 members of the ruling council yesterday attempted to devise a policy for the exchange that would prevent a fragmentation of the central market in securities in the UK at a time when sweeping regulatory reforms are planned for London's financial community.

Sir Nicholas Goodison, chairman, and officials have been alarmed at an initiative by foreign brokers and bankers who intend to set up their own UK regulatory organisation. The exchange warned that such a move would not only lead to fragmentation of the market in UK securities but might also undermine standards of investor protection.

Yesterday's meeting decided to adopt a conciliatory approach to the move by the international securities dealers and their proposed policing body, provisionally called the International Securities Regulatory Organisation. Talks are likely with a steering committee of the international dealers, which is being set up to form the body.

The exchange itself intends to become a recognised self-regulatory organisation in the reformed system of supervision in London's financial community.

It decided yesterday that it should establish a wide-ranging self-regulatory body so that many different types of securities dealers will be encouraged to become members.

It will also lower the cost of entry for new members, although no details were finalised yesterday or amounts agreed.

Sir Nicholas intends to make a policy statement on the exchange's plans on Thursday.

Yesterday's debate took place as controversial plans for the future supervision were being drawn by Sir Kenneth Berrill, chairman of the Securities and Investments Board, which is to be the main regulatory body of the financial community.

The board will be able to authorise investment businesses directly. Alternatively, firms may gain their authorisation through self-regulatory organisations. In addition, the board will be able to recognise investment exchanges that would regulate markets, provide support services to the practitioners and establish rules for market-making.

The exchange intends to be both a self-regulatory organisation and a recognised investment exchange in the new supervisory environment. The Securities and Investments Board's preliminary plans anticipated that companies supervised by the International Securities Regulatory Organisation would participate on three types of recognised exchanges – the stock exchange, an exchange for dealing in Eurobonds

Continued on Page 16

Takeover policy outlined, Page 11

Britain to get 'surprise' £7m bonus on EEC budget refund

BY QUENTIN PEEL IN BRUSSELS

BRITAIN is about to achieve a remarkable budgetary feat in the EEC, in defiance of its normal status as a heavy net contributor.

Next year, the UK Government is set to get back in refunds a bonus of some £7m ($9.9m) more than a £148m extra payment it is making to the Community budget this year.

British ministers have remained noticeably reticent about this small windfall, even in the face of sharp attacks by Conservative Members of Parliament in the House of Commons last week about the level of UK contributions to the EEC budget.

Apparently, the Government preferred to take this punishment rather than to risk alerting other member states, which might then have caused a row at the Community finance ministers' meeting on Monday.

All remained calm, however, and the ministers endorsed a payment to the UK to be made next year of Ecu 264m (£155m). No one seemed to want to take issue with the fact that this is more than the Ecu 253m (£148m) extra budget contribution which needs to be offset.

The anomaly results from a quirk in the complex formula agreed at last year's Fontainebleau summit providing for a regular two-thirds reduction in Britain's net payments to the Brussels budget.

While budget experts can justify the windfall with the use of arcane mathematical formulae, the French Finance Minister, for one, wanted to avoid stoking up a demand for public explanations. Ministers made no move to insert Britain's payment into the 1986 budget for fear of a reaction in the French national assembly which will be debating the EEC budget next week.

The French deputies will be asked to ratify the Community move to increase national contributions from the present 1 per cent VAT ceiling to 1.4 per cent, a decision to which the British rebate is inextricably linked.

Any uncomfortable reminder about the way the Fontainebleau formula works, predictable or unpredictable, would not help that debate. So the ministers agreed that the money was owing – but instructed the European Commission not to ask for it until next September, when it will have to submit a late amendment to the budget.

New EEC unit trust rules, Page 16

Philips and Du Pont in laser-disc link

BY JASON CRISP IN LONDON

PHILIPS, the Dutch electrical products manufacturer, and Du Pont, the U.S. chemicals group, are forming a joint venture to exploit new optical technologies including compact audio discs, video discs and discs for storing computer data and information.

The new company, which consists largely of existing Philips operations, starts with assets of $150m and 1,500 employees. The parent companies expect it to require $500m for capital expenditure by the end of the decade and to spend $60m a year on research and development.

Mr Gerrit Jeelof, vice-president of Philips, said in London yesterday that he expected the new company – Philips/Du Pont Optical – to have sales in the region of $1bn by 1990, representing about a quarter of the world market. By then it was also expected to have 3,500 employees in factories in Europe, the U.S. and Japan.

The two companies announced yesterday that PDO is to spend $50m building a compact disc plant in North Carolina which will have a capacity of 50m to 60m discs a year.

PDO also starts with a 50 per cent stake in the Polygram compact disc plant in Hanover, West Germany, the largest in the world. Philips is the major shareholder in Polygram. The intention is for PDO to take over the plant completely.

Du Pont's initial contribution to the joint venture will be a substantial payment to Philips, which is providing most of the initial assets. Neither company would disclose the sum.

Half of PDO's sales are expected to come from computer storage products by 1990.

CONTENTS

Greek civil servants to strike against austerity measures

BY ANDRIANA IERODIACONOU IN ATHENS

MASS STRIKES against the Greek Socialist Government's economic austerity measures resumed for a second week yesterday, after a brief respite on Monday for a national holiday.

The most dramatic is a 24-hour stoppage today by 300,000 civil servants. Public services, state schools and hospitals, courts, ports, customs and tax offices are all expected to be affected.

Teachers at private and state schools are to stay out on strike until Saturday. Post office workers and hospital staff stopped work for 24 hours yesterday.

Today's civil servants' strike has been endorsed by the Socialist majority in the leadership of their union, underlining the split which has developed in the Socialist union movement nationally as a result of the austerity measures announced by the Government earlier in the month.

These include a two-year wage freeze and the scaling down of the system of linking wages to inflation.

A significant number of Socialist unions are committed to fighting the measures. Eight senior unionists were expelled from the Socialist party 10 days ago for supporting protest strikes. They have retaliated by lending their weight to continued labour action, and joining Communist colleagues in an attempt to depose the Socialist president of the trade union congress.

Bulgaria accuses planners and managers of inertia

BY PATRICK BLUM IN VIENNA

BULGARIA HAS stepped up its battle for higher efficiency by accusing planners and managers of inertia and incompetence.

An editorial in Rabotnichesko Delo, the Communist Party daily newspaper, said economic and planning organisations have "not overcome inertia and have continued to drift along the old patterns. Their projects have been far removed from the requirements of the new approach" adopted at a plenum of the party's central committee in February.

There has been growing concern in Sofia about the effects on the economy of problems in energy and agriculture caused in part by a severe drought. Industrial and agricultural outputs are expected to fall short of targets and criticism of management has grown.

The daily said that one of the planners' greatest failures was to consider only the quantity of goods produced without taking into account quality and labour efficiency. There was inefficient use of raw materials, fodder and energy.

The introduction of new technologies was "sluggish" and "formalism and incompetence" affected supplies to and the maintenance of plants. "A decisive improvement of the manner of planning and investment expenditures" was needed.

Industrial production increased by 4 per cent in the first nine months of this year compared with 5.2 per cent planned for the whole of the year. Production of electricity, coal, ferrous metals and agricultural goods has been lower than in the corresponding period in 1984.

Poland eases fund raising

POLISH state-owned enterprises will be able to raise money by issuing bonds from next year as part of wider plans to restructure the economy, the government newspaper Rzeczpospolita said yesterday, Reuter reports from Warsaw. Bonds may be sold to other state-run concerns from January 1.

Polish newspapers have commented favourably on Hungary's example where companies have expanded, and built roads and amenities with funds raised through issuing shares.

Rzeczpospolita said the Government has also finalised a system of income tax reductions to promote technological progress, exports and greater economy of materials and energy. Preferential tax concessions will be granted to enterprises exporting highly processed products, it added.

Solidarity cash ruling

THE POLISH Supreme Court ordered a former Solidarity underground leader yesterday to repay money collected by the now-outlawed free trade union that the Government claims was spent illegally, the Solidarity activist said.

At issue is 80m zlotys ($570,000) which the activist, Mr Jozef Pinior, withdrew from a Solidarity bank account 10 days before the martial law crackdown and suppression of the union in December 1981.

Mr Pinior, said the supreme court upheld a lower court order that he repay the money, which the Government maintains financed Solidarity underground activities under martial law.

The lower court ruled the money belonged to a new national trade federation created by the government to replace Solidarity.

Mr Pinior had appealed against the lower court ruling, made in February in the southwestern city of Wroclaw, where he lives. AP

U.S. spells out Soviet arms pact violations

By Bridget Bloom, Defence Correspondent, in Brussels

THE U.S. yesterday presented detailed evidence of Soviet violations of two major arms control agreements to Nato defence ministers meeting here in the Nuclear Planning Group.

It was described as "copius and convincing" by Herr Manfred Woerner, the West German minister. Coming only three weeks before the November 19 summit between President Ronald Reagan and Mr Mikhail Gorbachev, yesterday's presentation by Mr Caspar Weinberger, the U.S. Defence Secretary, was clearly designed to win strong support from the U.S.'s Nato allies.

The precise form of that support will only become evident with the publication today of the NPG's final communique. In the past, such US allegations have been greeted with considerable scepticism by some European defence ministers, but yesterday there was evident concern to paper over these differences.

The US case, which British officials said gave more details about existing charges, is that the Soviet Union has breached both the Salt 2 arms agreement and the Anti-Ballistic Missile (ABM) treaty by deploying a new intercontinental ballistic missile, the SS-25, and by building a new surveillance radar at Krasnoyarsk.

The Soviet Union says that the SS-25 is an improved version of the SS-13 and is therefore allowable under theS Salt 2 agreement. However, Mr Weinberger and his officials, whose presentations are said to have included satellite photographs of great clarity (as well as a cardboard scale model of the Krasnoyarsk radar station), said that theSS-25 is 10 per cent longer than the SS-13 and had 92 per cent more launch power. The missile is said to have been deployed at three sites.

Herr Woerner said later that the U.S. charges should not be taken to mean that either the U.S. or other Nato countries believed that arms control agreements were not worth while or that the Soviet violations enabled the U.S. totake equivalent measures. However, it did mean that verification had to be an extremely important part of future agreements.

According to British officials, the Nato ministers yesterday gave formal approval to the detailed plan by General Bernard Rodgers, the Supreme Commander in Europe, for implementing the 1983 decision to reduce by 1,400 the European stockpile of tactical nuclear weapons by 1988.

However, a decision his proposal to modernise the remaining stockpile by introducing new nuclear weapons, in return for further withdrawals has been deferred. Ministers fear that new deployment of nuclear weapons, even if accompanied by withdrawals, could give fresh impetus to the nuclear protest movement.

Ministers try to break deadlock over steel controls

BY PAUL CHEESERIGHT IN BRUSSELS

EEC INDUSTRY ministers tried yesterday for the second time this month to settle the pattern of controls to remain on the steel market and the nature of subsidies to be permitted to steel companies after the end of this year.

Failure to reach agreement on the controls poses a threat to the stability of the Community steel market that is becoming increasingly serious. The key issue is whether production quotas should remain or whether they should be progressively lifted, product by product, over a two-year transitional period.

Mr Peter Morrison, the UK Industry Minister, made clear that unless British Steel is given a larger share of quotas the Government would block any agreement on subsidies. The UK, in any case, is against an immediate liberalisation of the quota scheme, preferring to delay until existing subsidies work their way through the system.

West Germany, however, remained adamant that no further subsidies should be granted after the end of this year. It has strongly opposed a Commission scheme permitting limited subsidies in order to encourage further plant closures.

At the other end of the spectrum, Greece wanted more subsidies in the form of regional aid, an argument which runs counter to the Commission view that steel industry aid should not be mixed up with regional assistance.

Yesterday, Mr Peter Sutherland presented tighter Commission proposals, confirming the use of aid for closures, but he failed to find a means of reconciling the extreme German and Greek positions.

The Community is committed politically both to ending subsidies for the steel industry at the end of this year and to lifting market controls—the two being means chosen to restructure the industry through capacity reductions and increases in productivity. But these commitments have been forgotten in the face of the industry's fragility.

Big French bank loses loan battle

By David Marsh in Paris

CREDIT LYONNAIS, the second largest French nationalised bank, is to repay early a FFr 500m (£43.8m) low cost loan granted by the Government in 1980 to stiffen its capital resources.

This follows several months of wrangling over the Finance Ministry's request that the loan—originally due to run until 1995—should be repaid early to help finance the budget deficit.

M Jean Deflassieux, the bank's chairman, claimed that early repayment would harm the bank's financial structure, but government officials now say he has been overruled. The loan, which will be repaid around the end of the year, carries a low interest rate of about 3 per cent linked to the bank's financial performance.

It was granted by the previous administration under President Valery Giscard d'Estaing to boost Credit Lyonnais' capital resources in which it had fallen behind the other two main French commercial banks.

Credit Lyonnais officials say the matter has now been "settled."

In line with the Finance Ministry's wishes that the nationalised banks should make more use of the financial markets to improve their capital backing, Credit Lyonnais earlier this month raised a FFr 1.5bn non-repayable subordinated note issue on the Paris financial markets carrying an interest rate linked to bond yields of about 11.75 per cent.

This follows a pattern of issuing subordinated debt already established by Societe Generale and Banque Nationale de Paris, the other two big French banks.

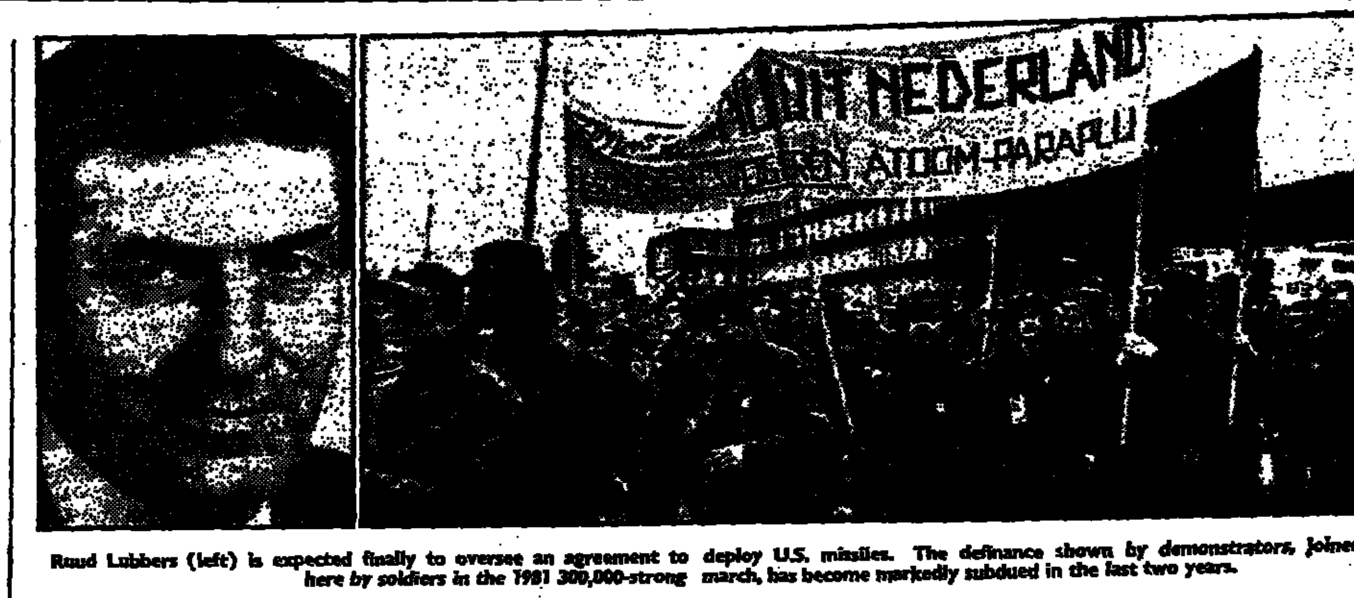
Compromise on finance for jobs insurance

By Our Paris Staff

FRENCH unemployment insurance contributions will rise from next month as a result of a last-minute financing compromise hammered out yesterday by the Patronat employers' association and the main trade unions which run the system.

All the main unions except the Communist-backed CGT confederation signed the agreement reached after a 12-hour meeting which finished in the early hours. It will put up contributions by 0.36 per cent, paid for by employers and employees who share financing roughly in a 2 : 1 ratio.

The agreement also extends the unemployment benefit period slightly for long-term jobless. The Government is also to be asked to help reschedule repayment to the banks of FFr 12bn (£1.04bn) of loans contracted to help finance the system last year.



Ruud Lubbers (left) is expected finally to oversee an agreement to deploy U.S. missiles. The defiance shown by demonstrators, joined here by soldiers in the 1981 300,000-strong march, has become markedly subdued in the last two years.

Laura Raun reports on the expected deployment agreement

Dutch cruise resistance crumbles

EVERY FRIDAY after the weekly Dutch Cabinet meeting Mr Ruud Lubbers, the Prime Minister, holds a routine press conference. When Mr Lubbers faces journalists this Friday, he is expected to make an extraordinary announcement that many people have been fighting bitterly for the last six years while others have been waiting hopefully.

He is expected to say that the Netherlands will finally accept 48 nuclear missiles on Dutch soil after years of divisive opposition, delay and soul-searching.

The centre-right Government's decision virtually is assured of parliamentary approval in coming weeks as is a Dutch-U.S. accord on the launching conditions of the U.S. cruise missiles.

The resigned, quiet acceptance of the North Atlantic Treaty organisation (Nato missiles contrasts sharply with the fierce political independence and fiery peace activism that twice has delayed approval of the medium-range missiles.) But things have changed in the Netherlands, which is the last of the five European Nato partners to accept its share of the 572 cruise and Pershing-2 missiles agreed on in a 1979 Alliance pact.

The Dutch are more mellow than they were in the early 1980s when hundreds of thousands of demonstrators converged on Amsterdam and The Hague to protest against the stationing of the missiles at the Woensdrecht site near the Belgian border.

Only a fraction of that number gathered in The Hague last weekend to present Mr Lubbers with 3.5m signatures opposing the missiles and to register a last-minute protest.

The signatures, if verified, would represent one in five of all Dutch people. Nevertheless, no mass demonstrations have been planned for this week.

While scattered protests probably are inevitable, people generally are tired of and bored with the endless public debate while the previously spirited and influential peace movement is enervated by years of seemingly futile efforts. The Netherlands is just too exhausted to fight any more.

The politically adroit Mr Lubbers felt confident enough to tell the anti-missile forces last weekend that the nationwide petition probably would not change the outcome of Friday's Cabinet decision—despite public opinion polls showing that the governing Christian Democrat - Liberal coalition would lose its majority if elections were held today.

Even the dramatic and poised bid by Soviet leader Mikhail Gorbachev to avert the impending Dutch decision failed to sway the Government and hardly fanned the dying embers of the anti-nuclear forces. Mr Gorbachev's recent announcement in Paris that the number of SS20 missiles aimed at Europe had been slashed to 243 still left too many of the triple-warhead weapons in place to stop the Dutch.

Under a 1984 Cabinet agreement, the Dutch are to fulfil the 1979 Nato promise to deploy Cruise missiles if more than 378 SS20s are targeted on both Europe and Asia as of November 1 1985. Nato figures, which the Dutch are relying on, show a total of 441 SS20s on both sides of the Ural Mountains, a figure the Soviet Union has not denied.

The Christian Democrat-Liberal Government has not buckled in the face of election uncertainty and Labour Party threats for a number of reasons. For one, the siting of the ground-hugging missiles will not take place until 1988, by which time a U.S.-Soviet arms-control treaty could mean fewer missiles actually stationed.

The 1984 Cabinet agreement held that if such a treaty were signed, the Dutch would take a proportionately smaller number of their missile quota, for example half. Hopes are running high that Mr Gorbachev and U.S. President Ronald Reagan could sow the seeds of an arms-control accord at their November summit in Geneva. Another two years of missile-base preparations would give arms negotiators time to hammer out a final accord.

This is also why Mr Lubbers will not order some of the single-warhead missiles into Woensdrecht within hours of Cabinet approval, as did Mr Wilfried Martens, the Belgian Prime Minister.

The Dutch would like to restore their slightly tarnished credibility with their Nato partners who have already allowed the majority of missiles to be placed on their soil.

Another reason for the Government's resolve is better party discipline following the demise of an unruly rump faction in the Christian Democrats.

The Dutch would also like to restore the Netherlands' slightly tarnished credibility within Nato. Fellow Nato partners, especially those in Europe, have already borne the brunt with 143 missiles placed on their soil and feel that the Netherlands too must carry its share of the burden.

One of the most significant changes has been the ebb of the Dutch peace movement. The Dutch have been a peace-loving people historically — as early as the 17th century the burger elite adamantly avoided war so as to pursue its commercial trading in an unfettered fashion.

In recent years, the Dutch Reformed as well as Roman Catholic churches have been closely involved in peace efforts. Finally, the Dutch argue that in a country as crowded as theirs—the most densely populated in Europe—nuclear missiles are particularly more devastating.

Huge demonstrations, however, do not have the appeal they had in the early 1980s when the missile question was fresh and political idealism thriving.

Mr Mient Jan Faber, the head of the inter-church peace and a driving force behind the Dutch anti-nuclear forces, contends that peace activists must emerge from the "subculture" and enter the mainstream of politics. "We can't expect that an anti-weapon approach alone will succeed—that is the lesson of the past few years," he said during a peace convention last summer.

That is largely why the last-ditch efforts to halt deployment have taken the form of a petition drive. The bitter lesson of the last few years is that speeches, marches and violence have not kept U.S. cruise and Pershing-2 missiles off West German, Italian, British, Belgian and probably Dutch soil.

The Hague has yet another trump card in its battle to convince the Dutch of the need to deploy—the prospect of scrapping other Nato nuclear tasks in exchange for siting the cruise missiles.

Mr Jacob de Ruiter, the Defence Minister, broached the subject within Nato two years ago and the demand for a cut in the nuclear arsenal in the Netherlands can only be expected to escalate.

This Friday the Cabinet is to announce how many of the Nato nuclear duties the Netherlands wants to drop.

The active nuclear arsenal comprises the 8-inch M110 Howitzer, the F-16 jet fighter, the Orion reconnaissance aircraft and the Lance guided missile.

Mr De Ruiter, backed by Christian Democratic parliamentary leader Mr Bert de Vries, wants to retain only the Lance and M110 while Mr Hans van den Broek, the hard-line foreign minister, opposes any reduction in nuclear duties. The nuclear-task debate no doubt will linger on for years.

Bail refused for former SMH chief

By Jonathan Carr in Frankfurt

COUNT Ferdinand von Galen, former senior partner of the West German bank Schroeder, Münchmeyer, Hengst (SMH) which nearly collapsed two years ago, must stay in jail despite an offer of DM 16m ($6m) bail put up by his family and friends.

The state superior court in Frankfurt yesterday ruled that although the DM 16m was one of the highest sums offered for bail in the country's history, there was still a danger that Count von Galen might flee the country.

The judges thus overturned, on an appeal from the state prosecutor's office, a decision earlier this month by a lower court that Count von Galen could be freed.

Count von Galen, who was 50 years old this month, was arrested in Frankfurt last December soon after arriving by aircraft from Paris. Along with three former associates, he faces trial on charges of fraud and breach of trust in connection with the near-collapse of SMH.

A consortium of German banks stepped in with a rescue operation in November, 1983, after SMH seriously over-lent to IBH – a ...

Lloyds bank of the UK swiftly bought up the healthy parts of the old SMH and formed a new operation under the same name with effect from January, 1984.

Scheme to link Eureka with military projects

BY DAVID MARSH IN PARIS

A PLAN to set up European military research projects linked to the Eureka programme has been put forward by a senior executive with Matra, the French state-controlled defence and electronics group.

M Jean-Louis Gergorin, an adviser to M Jean-Luc Lagardere, the Matra chairman, told a business lunch club yesterday that a separate Eureka organisation was needed "with a restrained membership" to co-ordinate European research efforts in fields such as anti-ballistic missile systems.

He made clear he was thinking mainly about co-operation between France and West Germany but added he believed Britain would be interested too. Matra has been making intensive efforts over the past few months to co-operate both in the Eureka high technology programme and to work on the U.S. Strategic Defence Initiative.

Matra is the only leading French company to have declared publicly it is interested in SDI work. The American project has been labelled economically and technologically not feasible by the French Government. The Mitterrand administration has said it will not participate officially in the programme but will none the less allow French companies to carry out contracts for SDI research.

French government officials in the past have said that the French-inspired Eureka programme – which is now being discussed by 18 European countries – should help develop technologies in areas such as computers, software and optics with potential uses in both military and civil fields.

But the remarks by M Gergorin – who was formerly head of the French Foreign Ministry's Centre d'Analyse et de Prevision (CAP) think-tank – add up to the most direct statement yet of support for a "military" Eureka.

Matra wants to participate in SDI research because it believes both that it will benefit from technology spin-offs and also that eventually European governments will be interested in developing their own anti-missile defence systems.

Matra already has experience in working with the U.S. Administration over the joint European/American Spacelab programme. The company has had regular contacts with the U.S. SDI Organisation (SDIO) this year – including a meeting earlier this month with Lt Gen James Abrahamson, the head of the SDIO – and hopes to win its first contracts under the programme before the end of the year.

Ironically, a report from the CAP leaked to the Press earlier this year, after M Gergorin left the organisation, argued against participation of European companies in SDI,

Sakharov's wife given exit visa for treatment

BY PATRICK COCKBURN IN MOSCOW

MRS YELENA BONNER, the wife of Dr Andrei Sakharov, the dissident Soviet nuclear scientist, is to leave the Soviet Union for medical treatment, according to Mr Victor Louis, a Soviet journalist often used as a conduit for information on Dr Sakharov.

The Soviet authorities had previously refused an exit visa to Mrs Bonner, who lives in exile with her husband in the city of Gorki, east of Moscow. She wishes to go abroad for treatment to her eyes.

Dr Sakharov, exiled to Gorki in 1980, went on hunger strike last year to secure permission for his wife to leave the country.

The authorities' decision to accede to Mrs Bonner's request, if confirmed, appears to be timed to defuse the Sakharov case before the summit meeting between Mr Mikhail Gorbachev, the Soviet leader, and U.S. President Ronald Reagan in Geneva next month. President Reagan has appealed for Mrs Bonner to be allowed to travel abroad for medical treatment.

There is no indication that Dr Sakharov, aged 64, will be allowed to leave the Soviet Union. Since he was exiled he has been isolated from Western diplomats and journalists for whom Gorki is a closed city which they cannot legally visit.

In another move before the Geneva summit, the Soviet Union is reported to have offered to stop building a radar station at Krasnoyarsk in central Siberia. This has been a subject of dispute because the U.S. says that the radar is for early warning against missile attack in breach of the anti-ballistic missile (ABM) treaty of 1982. The Soviets say the station is for space tracking.

The report of the offer by Soviet negotiators at Geneva was not confirmed in Moscow yesterday but it is in line with current Soviet policy of systematically defusing sources of tension before Geneva to ensure that arms control remains the central issue at the summit.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Activists arrested in Cape Town area crackdown

BY ANTHONY ROBINSON IN JOHANNESBURG

POLICE continued their round-up of anti-apartheid activists in the Cape Town area yesterday. Those arrested included a textile trade union leader and Dr Ivan Toms, director of the Sacla clinic in the black squatter town of Crossroads who is also a prominent member of the End Conscription Campaign (ECC) which is actively campaigning to get troops out of the townships.

Dr Toms was arrested in the early hours of the morning and then released after questioning and confiscation of documents. A group of 17 white Cape Town University students have also been jailed for 14 days under the emergency regulations for taking part in a demonstration outside the university.

Meanwhile, police reported five more deaths in continuing widespread township unrest, including the death of an unnamed black woman whose charred body was found in a burnt out car in Crossroads. The woman was aparently the victim of a "necklace killing," the name given to the placing of a burning tyre around the victims neck.

Elsewhare President P. W. Botha, in a by-election campaign speech at Vryburg in the northern Cape caled on South Africans to rally behind the flag and show the same kind of unity in adversity shown by Britain in 1940. Vryburg is one of five constituencies where parliamentary by-elections take place today.

In Johannesburg Mr Jules Browde, a prominent advocate who is chairman of the steering committee set up to organise a "National Convention Movement" told a press conference that both the white opposition Federal Progressive Party (PFP) and the predominantly Zulu Inkatha Movement had withdrawn from the management committee of the movement.

The decision reflected concern that close indentification of the convention movement with the two parties placed obstacles in the way of attracting the broadest possible support for the movement's aim of pursuading the government to call a national convention to draw up a new, non-racial constitution.

S Korean police round up students

By Steven B. Butler in Seoul

POLITICAL temperatures are again rising in South Korea. Police yesterday swept onto the campus of Seoul National University and arrested 26 students on charges of attempting to overthrow the Government, and are still looking for 17 more.

At the same time, Korea's National Assembly has been paralysed by a dispute between ruling and opposition parties over the election of the assembly's deputy speaker.

The opposition New Korea Democratic Party (NKDP) stormed out of the assembly late Monday and has decided to boycott committee meetings, effectively bringing the work of the assembly to a halt. Floor leaders of both ruling and opposition parties have resigned.

The dispute, apparently over procedural matters, is far more serious than it appears. This autumn's National Assembly session has been stormy at best, with questions to Cabinet ministers occasionally breaking down into shouting matches across the assembly floor. But the parties have managed to keep the assembly alive as a forum for political debate, both sides apparently recognising the dangers of pushing political conflict out on to the streets.

On Monday an NKDP candidate for deputy speaker failed to receive a minimum number of required votes when most of the Government party, the Democratic Justice Party (DJP), abstained on the voting. The post of deputy speaker is customarily awarded to the principal opposition party, while the speaker comes from the government party.

On a second vote, the Government party elected a former opposition party candidate for the post whose nomination had been withdrawn after a dispute with his faction leader, Mr Kim Dae-Jung.

The vote was a slap in the face for Mr Kim, who is still legally barred from politics in Korea, but the DJP's clumsy attempt to embarrass the NKDP by meddling in its internal factional disputes incensed the opposition.

Opposition leader Mr Kim Young-Sam yesterday accused the Government and DJP of being "morally - depraved" over their breach of trust in the affair. Mr Kim repeated his prediction yesterday that South Korea would face a civil uprising or another coup d'etat if the Government did not make democratic reforms by 1988, when Mr Chun Doo-Hwan's presidential term expires.

Some of the opposition are talking of abandoning the assembly and taking to the streets. That is not likely to happen yet.

Yesterday's arrests, adding to the at least 300 students already in jail, will add to the deterioration of the political atmosphere. The students were charged under the harsh national security laws, which allow for the death penalty.

The students, members of the "Committee for the Promotion of Democracy," are accused of furthering the political goals of North Korea by seeking estrangement between the U.S. and South Korea and calling for popular uprisings.

The Government says they masterminded a number of labour incidents and the occupation of the American Cultural Centre in May. Twenty students were earlier sentenced for up to seven years in connection with the occupation.

Gen Samuel Doe

Doe keeps power in Liberia

The Liberian Army was yesterday on full alert, with troops and tanks stationed at strategic points in Monrovia as Gen Samuel Doe was proclaimed President following the country's first multi-party elections two weeks ago based on one-man, one-vote, writes Peter Blackburn from Abidjan.

The Special Elections Committee called on Liberians to accept the "sincere and fair" results of the elections, which are to pave the way for a return to civilian rule at the beginning of next year, more than five years after President Doe seized power in a bloody military coup.

Gen Doe, who is also commander-in-chief of the armed forces, obtained 51 per cent of the vote, with his National Democratic Party of Liberia (NDPL) winning more than two-thirds of the seats in the Senate and House of Representatives. The President gained 265,000 of the 519,000 votes cast, nearly twice those of his nearest rival, Mr Jackson Doe (no relation), leader of the Liberia Action Party (LAP).

Mr Jackson Doe did not attend the election results ceremony. He had said earlier that his party would not accept the election results, claiming that there had been serious irregularities in both the casting and counting of the vote.

Other earlier opposition charges involved the last-minute creation of military polling centres, imprisonment of activists and the two main presidential challengers' being barred from standing.

The U.S. Congress has warned that it will withhold further aid from Liberia, the world's largest per capita beneficiary of American aid at about $90m, unless the elections were seen to be "free and fair."

Dollar drain fuels liquidity crisis

BY PETER BLACKBZURN, RECENTLY IN MONROVIA

AN ENLARGED $100 banknote hangs in a glass frame on the wall behind the desk of Major G. Alvin Jones, Liberia's Finance Minister.

It is an unusual sight these days in Monrovia where greenbacks have become almost as rare as gold even though the dollar is still the official currency.

Payments for everything from hamburgers to Chevrolets are increasingly made in locally minted $5 coins which are officially valued at par with American printed dollar notes. But in the Lebanese and Indian shops off Monrovia's main broad street $100 notes can fetch a premium of up to 25 per cent, though the rate is much lower for large volume transactions.

Own cheques

Premiums are even offered for privately cashing cheques into coins. Banks are so short of cash that most will only accept their own cheques.

It has also become increasingly difficult to transfer funds abroad through bank drafts. Businessmen and traders are often obliged to operate outside the banking system and are prepared to pay a premium for dollar notes to pay for imports or send earnings abroad.

Several factors underly Liberia's liquidity crisis:

- Government officials point out that earnings from the country's main exports — iron ore, rubber and timber—have fallen to $362m (£255m) in 1983 from $484m in 1980. Expenditure, however, has remained high, especially the public payroll which absorbs two thirds of Government income.
- The bloody 1980 coup by junior army officers led by former Master Sergeant Samuel Doe provoked a crisis in investor confidence and a massive flight of capital. Although the initial panic has subsided, bankers say that each time a plane takes off from Robertsfield international airport several thousand dollars leave with it. In the run-up to the October elections there has been renewed uncertainty and dalays in contract payments and Government salaries.
- Illicit cross border trading in diamonds, palm oil, coffee and other farm products has resulted in a substantial drain of dollars into neighbouring Sierra Leone and Guinea.
- Hoarding by upcountry Liberian farmers has further squeezed liquidity. Even Monrovians are boycotting the banks and keeping money at home.

The National Bank of Liberia has no right to print dollar notes and instead purchases and imports them when it has the resources. However, it has tried to ease the liquidity crisis by minting $5 coins.

It has minted an estimated $50m $5 dollar coins in 1985 of which only about half have so far been released into circulation.

Confidence

There is no fixed ratio between dollar notes and Liberian coins and their release has been rationed so as not to destroy financial confidence.

The Government last year signed a memorandum of understanding by which it will consult the seven local commercial banks befare releasing more coins. The aim of the memorandum is to impose greater fiscal and monetary discipline.

The commercial banks agreed to provide $5m a month to help pay public sector salaries while the Government has agreed not to overdraw its commercial bank accounts into which taxes are paid.

The six monthly memorandum is due for renewal in November but banks complain that its spirit has been broken by recent Government decrees regulating banking activity.

There is also a growing feeling in banking circles that unless urgent action is taken by the Government, Liberia will soon slip off the dollar standard.

The most sensitive problem is the public payroll of about 37,000 civil servants. A $12.5m advance payment from the foreign iron ore exporting companies enabled the Government to pay off three month's salary arrears in time for the elections.

But as one banker pointed out: "The notes will disapear as soon as they hit the market. Banks will take part to cover their drafts and the Lebanese will take out the rest."

He added: "There is no more revenue. The Government has bridged out as far as possible. By January the country will be effectively on local coins."

But Major Alvin Jones has strongly ruled out any possibility of Liberia abandoning the dollar standard while Western observers say it would remove all restraint and open a Pandora's box of corruption.

Iraqi jets raid Iranian radio and TV stations

IRAQ, vowing to silence what it called "the voice of lies" of its Gulf War foe, said yesterday its jets had raided radio and television stations in the Iranian city of Ilam, AP reports from Baghdad.

Earlier Iran had said its jets had attacked Iraqi oil installations in the southern part of the country inflicting heavy damage.

The Iraqi raid was the first reported air strike against media installations since the war started in 1980

Uganda ceasefire offer

Ugandan rebels yesterday offered to observe a ceasefire for the duration of the latest round of peace talks in Nairobi, but largely rejected a series of concessions made by the Government on Monday, Reuter reports.

The National Resistance Army (NRA), the main rebel enemy of Uganda's ruling Military Council, said in a statement that it had decided to supsend hostilities "in order to provide a suitable atmosphere for the conducting of these talks."

Tamils cut city's power

Tamil guerrillas cut off power supplies to Sri Lankan port city of Trincomalee yesterday by blowing up a relay station, the Defence Ministry said, Reuter writes from Colombo.

Marcos orders sale

Pressed for money to finance the fight against communist insurgents, Philippine President Ferdinand Marcos has ordered the immediate sale of state-owned companies and private property foreclosed by government financing institutions, the government said yesterday, AP reports from Manila.

Income from the sale will be used to finance the 1.4bn pesos worth of arms and other suplies needed by the military, the palace said.

Jordan, PLO paper over cracks on peace initiative

BY OUR MIDDLE EAST STAFF

JORDAN and the Palestine Liberation Organisation appeared yesterday to have papered over their differences but gave no indication of fresh moves to carry forward the Middle East peace process.

During several hours of talks on Monday night King Hussein of Jordan made clear to Mr Yassir Arafat, the PLO chairman, his anger at recent Palestinian actions, particularly the seizure of the Italian cruise liner and the failure to hold planned talks with the British Government.

An official Jordanian statement said that the talks had concentrated on ways of "avoiding a recurrence of such developments in the future."

Mr Arafat claimed, however, that the meeting had been "constructive and brotherly" and announced that a permanent joint committee would be established in order to co-ordinate future policy.

Mr Arafat brushed aside suggestions that any lasting damage had been done to PLO-Jordan relations which he claimed free "historical and strong." He also asserted that the PLO was doing its best to improve relations with all its friends, including Britain.

The two men are also under-contentious issue of relations with Syria. Jordan has been co-operating with attempts by Saudi Arabia to ease tension with Damascus caused by the February 11 peace initiative launched in conjunction with the PLO.

The Christian militias, the Lebanese Forces, yesterday stopped publication of a French-language newspaper sympathetic to President Amin Gemayel, in an early-morning raid against Le Reveil publishing house, Nora Boustany reports from Beirut.

As the inter-Christian power struggle escalated, the pro-Syrian Ba'ath Party withdrew 300 militiamen from positions on the Moslem side of Beirut's dividing Green Line.

Airlines step up bid to recover $900m revenues

BY MICHAEL DONNE, AEROSPACES CORRESPONDENT, IN HAMBURG

THE WORLD'S airlines are stepping up their diplomatic efforts to recover up to $900m (£642m) of revenues from passenger ticket and cargo sales blocked in countries of the developing world.

Over the past year, these efforts have enabled the airlines to get back some $450m of their earnings that have been frozen in overseas countries.

But even as those efforts have borne fruit, other countries have blocked new earnings, with the result that there is always a substantial sum outstanding.

The offending countries discovered a long time ago that raiding airline revenues was a good source of interest-free funds for other purposes.

The problem has been endemic in Africa and the Middle East, but other parts of the world are also involved, although to a lesser extent.

Some years ago, the airlines in the International Air Transport Association set up a special committee to study the extent of the problem and find ways of getting round it.

This committee has had some considerable success and is still quietly working behind the scenes, with the result that over the past 12 months, $450m has been restored to its rightful owners.

A current analysis by the Iata shows that countries in the Middle East are currently blocking up to $300m of airline earnings. Up to another $100m is being blocked by North African countries, and $150m blocked in other parts of Africa. The rest, about $350m, is blocked elsewhere in the world.

Mr Gunter Eser, Iata director-general, told the association's annual meeting in Hamburg that there had recently been a shift in the geographical nature of the problem.

Growing concern

"The countries of the Middle East and North Africa are causing growing concern," he said, while the situation in Africa south of the Sahara has shown a slight improvement.

"Industry efforts in those countries in the Middle East and North Africa where transfer problems exist are being intensified, although the political situation in some cases makes progress difficult."

The airlines can only employ patient and persistent diplomacy to recover their frozen assets.

Although they have the ultimate sanction of withdrawing their flights, this is regarded as counter-productive, often guaranteeing that their money remains even more tightly locked up.

As one airline in Western Europe, which is a particularly severe sufferer from this problem, commented: "We are in the business to promote air transport, not to reduce it."

This need to recover blocked earnings is of vital significance to the air transport industry in the light of its current overall precarious financial situation.

Revised forecasts for the overall financial results of the industry for 1986 show the likelihood of a net loss of between $200m and $500m

If there is any unexpected problem ,or if charges, such as fuel, continue to rise, the net result could be a loss for the industry as a whole of anything up to $1bn for the year.

Blocked earnings

In such a situation, every dollar that the airlines can recover from their blocked earnings is of critical importance.

The airlines are employing not only their own pressures on the countries concerned but are also using the resources of their governments at diplomatic level, to try to achieve what beneficial results they can.

Siemens in 'know-how' pact with Peking

By John Davies in Frankfurt

SIEMENS, the West German electronic and communications concern, has signed an outline agreement in Peking on the long-trem suply of equipment and "know-how" to the Chinese.

Undrer the agreement, Siemens and representatives of various Chinese economic organisations will form a co-ordinating committee.

According to the West German company, the Chinese have expressed interest in a wide range of Siemens activities, but need to consider priorities and the practical organisation of such matters as personnel training.

The group received orders from the Chinese worth DM 700m (£179m) in its financial year ended September 30, compared with orders of DM 120m the previous financial year.

With the Chinese anxious to speed up economic development with Western help, they have turned to a number of West German companies during the past few years, including Siemens, for equipment and technical "know-how."

Siemens executives believe they have good prospects for co-operation with the Chinese in such fields as engineering, electronics, telecommunications, energy, and medical equipment.

Container group in HK $2bn plan to expand terminal

BY DAVID DODWELL IN HONG KONG

HONG KONG International Terminals (HIT), the territory's largest container handling operation, yesterday announced plans for a major expansion of the Kwai Chung container terminal. The new terminal, due to be in operation late 1989, will cost about HK$2bn (£186m).

The announcement comes after more than a year of haggling with the Hong Kong Government over the terms under which the new terminal will be built.

It will more than double the annual handling capacity of Kwai Chung from about 1.4m average-sized containers at present, to 3m when the new terminal is complete.

HIT, which is controlled by Hutchison Whampoa, the Hong Kong trading property and retailing group, is currently involved in a HK$650m expansion of one of Kwai Chung's existing terminals. This project is due to be completed early in 1987.

Hong Kong's container terminal, understood to be the third-largest in the world after Rotterdam and New York, is already close to capacity. Officials keen to maintain this leading position in Asia have pressed the current operators to agree to expand facilities.

HIT, on the other hand, have balked at the high cost, aware that their future in Hong Kong after 1997, when the territory reverts to Chinese sovereignty, was uncertain until recently.

They argued that a decline in the volume of world trade had sown doubt over the need for expansion.

Also, they argued that the surge in entrepôt trade with China—which has been largely responsible for the recent steady growth in terminal traffic—could be reversed if China's open door policy was overturned.

If the two parties had failed to reach agreement, then the Government would have been forced to consider inviting public tenders for the expansion, which would have involved delay and extra cost.

EEC to press Japan on trade

BY CHRISTIAN TYLER, TRADE EDITOR

THE EUROPEAN Commission is to launch another attack on the perennial problem of Japan's big trade surplus with the West.

A team of Commissioners, led by Mr Willy de Clercq, responsible for external relations, is to visit Tokyo early next month in pursuit of what is being called a "verifiable commitment" by Japan to increase its imports of manufactures.

In some EEC countries, like the UK and France, this commitment is understood to mean that Japan must quantify its import promotion plans, announced in April by Japan's Prime Minister, Mr Yasuhiro Nakasone. In effect, they want the Japanese Government to set firm targets for redressing the trade imbalance.

However, the idea of a target is less popular with other EEC members, like West Germany—which itself has a big external surplus on manufactures—and Italy which suffers less than others from Japanese import penetration.

According to British officials, the mission is not designed to promote West European exports to Japan, but to address the overall problem of what is seen as Japan's failure to become import-minded.

It is recognised that Western exports to Japan cannot be stimulated artificially, and will have to be helped by changes of domestic economic policy to increase consumer demand.

It is not clear what the EEC would do if the delegation returns empty-handed, apart from reviving the EEC's shelved complaint against Japan in the General Agreement on Tariffs and Trade.

This suit, taken under Article 23, is a catch-all complaint that Japan has nullified or impaired its trading partners' benefits under the Gatt rules.

The EEC mission follows a visit by Mr Karl-Heinz Narjes, Commission vice-president, to Tokyo at the beginning of this month.

It coincides with fresh efforts by Britain to co-ordinate EEC trade policy on Japan with the U.S., whose deficit on visible trade with Japan is four times larger, and running at about $40bn this year.

The delegation is expected to include Mr Narjes, who looks after industrial affairs, and possibly Lord Cockfield (taxation and the internal market) and Mr Peter Sutherland (competition and social affairs).

The mission is a result of last week's meeting of the EEC's foreign ministers.

Saudis take loan for polyethylene plant

By Finn Barre in Riyadh

THE AL-JUBAIL Petrochemical Company (Kemya) yesterday signed a medium-term facility to borrow Sr 140m ($39m) and $80m.

Eight banks participated in the loan syndication for 10 per cent of the cost of the petrochemical joint venture between Exxon Chemical Saudi Arabia and the Saudi Arabian Basic Industries Corporation (Sabic). Kemya is to produce up to 270,000 tonnes a year of polyethylene. Production began in 1984. The plant produces liner low-density polyethylene, but can produce different varieties of the material, if needed.

The seven-year loan facility will cover start-up costs, initial working capital, and other expenses. It follows standard Saudi financing of Sabic projects.

Plants are financed 60 per cent by the Public Investment Fund, 30 per cent by the partners in the project, and 10 per cent by commercial banks.

Lead managers of the loan are Albank Al-Saudi Al-Fransi of Jeddah, Gulf International Bank of Bahrain, the Saudi British Bank of Riyadh, and the Saudi International Bank.

Other participating banks are Al-Bank Al-Saudi Al-Hollandi, of Jeddah, the Arab Bank of Jordan, the Arab Investment Company (Taic) of Riyadh, and Mitsubishi Bank of Japan.

The Kemya chairman, Dr Faisal Al-Bashir, said the loan was denominated in riyals and dollars because some of Kemya's business would be outside the kingdom, which would require dollars, and some would be purely domestic, which requires riyals.

Two years elapsed since the banks were mandated to syndicate the loan. Mr Ibrihim Salamah, Sabic vice chairman, said the delay was primarily because Kemya had mandated the loan early, and had no urgent need for the money until it came on line.

Bankers privately said that the long period between the mandate and actual signing of the syndication gave Kemya a time to train financial personnel in banking.

Reuter reports: A seven-bank group led by the Riyadh-based Saudi American Bank (Samba) has signed a Sr 150m syndication for Saudi Medical Services and its subsidiary, Saudi Charter Medical, a Samba official said.

Cairo trade bank builds up business

By Tony Walker in Cairo

EGYPT'S new Export Development Bank which has completed its first six months of business, is finalising agreements for six enterprises with loan backing totalling about $16m (£11.4m) in export-related sectors. Its letter-of-credit activities are also building up.

The bank is set to take a 10 per cent share in a proposed General Motors car assembly and component project. Dr Hazem el-Beblawi, the bank chairman, said he was attracted to the GM proposal because it held out possibilities of significant exports of automotive parts.

Dr el-Beblawi said his priority in his first six months has been to establish a solid basis for the bank's operations.

China to boost technology ties with West Europe

BY ROBERT THOMSON IN PEKING

CHINA INTENDS to increase technological ties with Western Europe in the next fe wmonths, the Chinese state science and technological commission announced yesterday.

The announcement coincides with the Peking visit of the West German Foreign Minister, Herr Hans-Dietrich Genscher, who yesterday met with the Chinese leader, Deng Xiaoping.

Deng said China encourages closer links between eastern and Western Europe because neither wanted any part of what he called the "war train"—"we known the Europeans do not want war. They hope the disaster of war will not fall on their heads."

The West German Foreign Minister briefed the Chinese leader on the Eureka programme for the development of high technology in Europe, and Deing apparently gave his imprimatur to the project.

Meanwhile, the State Science and Technology Commission's acting director, Shi Guangchang, told the English-language China Daily that China hopes to establish links with the Eureka programme and strengthen its technological ties with Western Europe generally.

"Western European countries have great scientific and technical potential and do not lag behind the U.S. or Soviet Union in qualified personnel, research or industrial development," he said.

Herr Genscher said China and West Germany have agreed to open another consulate in each other's country and are determined to increase trade and student exchanges.

Canadair jets for Chinese

By Bernard Simon in Toronto

CANADAIR, the Montreal-based aircraft manufacturer, has sold three Challenger-601 business jets to China as part of a recent revival in sales of the aircraft.

Terms of the sale, channelled through the Chinese Government agency Poly Technologies, were not disclosed. Delivery is scheduled for summer 1986. Xian Aircraft Co of China has made doors and other components for Canadair's CL-215 fire-fighting aircraft since 1980.

The three jets are expected to be used as personal carriers by the Chinese armed forces, reflecting Canadair's efforts in recent years to clinch military and quasi-military orders. Similar sales have been concluded in West Germany, Malaysia and Canada.

Toshiba aims to double imports

BY CARLA RAPOPORT IN TOKYO

TOSHIBA, one of Japan's leading integrated electronics companies, yesterday announced plans to double its imports within the next two years to $650m (£464m) in a bid to help ease trade friction between Japan and the rest of the world.

Toshiba, the latest in a string of Japanese companies to announce import promotion programmes, plans to organise a World Import Fair for its own purchasing staff, send 13 import/marketing research teams to overseas markets and open additional purchasing offices abroad.

Toshiba's plans to invite 180 foreign manufacturers to its import fair to meet some 2,000 design engineers from its various plants.

Further, Toshiba will start sending import missions abroad starting next month. The first of these are expected to make overseas purchases of some Y10bn ($50m).

Pan Am unfair, claims El Al

By Walter Ellis in Tel Aviv

EL AL, the Israeli national carrier, yesterday accused Pan American Airways of provoking "unfair competition" across the Atlantic by inaugurating its own flights between New York and Tel Aviv.

After a net loss of $9.7m in its 1984-85 financial year, largely attributable to Israel's prohibition on Sabbath flights, El Al fears that intervention on the North Atlantic route by Pan Am will only add to its difficulties.

Projections of annual losses if Pan Am adopts an aggressive marketing strategy range as high as $28m. Price-cutting has already been announced by both sides.

Pan Am finally secured landing rights into Israel's Ben Gurion international airport yesterday morning and plans to begin flights tomorrow. The U.S. flag carrier has been trying to add Ben Gurion to its network for some time but has run up against obstacles placed by El Al and the Israeli Transport Ministry.

El Al argues that Pan Am will be taking unfair advantage of traffic it has built up over the years. It also claims that the U.S. airline is simply trying to make use of spare aircraft and crews in Europe and is not committed to the route.

Pan Am has rejected these charges and says that it will, in fact aid the Israeli economy by helping to build up tourism.

El Al's reply is that tourism from the U.S. is expected to drop, while the New York route is already underbooked.

Israel has been warned by the U.S. authorities that any unilateral action against Pan Am could result in retaliation in the U.S. against El Al.

Reagan pressed for response to Soviet arms offer

BY STEWART FLEMING IN WASHINGTON

SENATORS William Cohen and Sam Nunn, two of Congress's most influential experts on military and arms control issues, have publicly urged President Reagan to put forward a "positive, strategically sound and politically sustainable" response to the Soviet Union's proposal for a 50 per cent reduction in offensive strategic weapons.

In an article published in yesterday's Washington Post, the two senators warn that the "guerrilla warfare" within the Administration between those who see no benefit in dealing with Moscow except on America's own terms and those who see advantage in reaching a compromise "should not be fought, or concluded, without a wary eye being cast on Capitol Hill."

The senators say that congressional support for strategic modernisation and defence programmes "has been predicated upon good faith efforts to achieve dramatic reductions in offensive nuclear weapons."

They say flaws are apparent in the Soviet proposals but add: "It is not unprecedented to find a party to a negotiation placing a heavy hand on its side of the scales. What we are witnessing (is) the dance of diplomacy, not the pouring of concrete."

While conceding that the Soviet plan is "heavily weighted" in Moscow's favour, they maintain "it remains now for the President to applaud the positive principles and seek to convert the negative components into an equitable agreement."

They warn that failure to do this will present the Soviet Union with an opportunity to "paint (President) Reagan as being inflexible and uncompromising" and so enable Moscow "to win in Western Europe and indirectly in Congress, what they could not achieve in Geneva."

The Senators say that dividing the Nato alliance is one of Moscow's major objectives.

On the Star Wars Strategic Defence Initiative, Mr Cohen, a Republican, and Senator Nunn, a Democrat, say the U.S. should maintain a "reasonably funded research programme (and) should discuss with the Soviets what constitutes allowable development and testing under the provisions of the ABM treaty."

Their article, which seems to be designed to put pressure on the Administration to end the internal debate and agree a clear policy for Geneva, comes amid reports that the Administration is indeed moving towards a detailed response.

Fundamental changes needed, says Volcker

MR PAUL VOLCKER, the Federal Reserve Board chairman, said yesterday that currency market intervention had been important in correcting damaging imbalances but more fundamental changes in economic policy were needed, Reuter reports from Washington.

He said intervention should be used in the context of a reduced U.S. budget deficit, greater growth in other nations, and open trade and investment.

Intervention as part of a broader effort was the point made by the finance ministers and central bank governors of the Group of Five meeting last month, Mr Volcker said in a speech in Toronto.

"There has been close co-operation in recent weeks among them in encouraging some appreciation in other leading currencies relative to the dollar through exchange market intervention," he said.

But there were limits to intervention by monetary authorities, Mr Volcker warned.

"Large changes in exchange rates, without dealing with the underlying sources of imbalance, are not an easy or painless solution—they carry risks of their own," he said.

Mr Volcker also said the prospect for sustaining growth and working toward lower interest rates in both the U.S. and Canada rested on maintaining progress against inflation.

This would be greatly assisted by clear and effective action to reduce the U.S. and Canadian budget deficits, he added.

U.S. urged to close Japan trade gap

SEVERAL steps are necessary for the U.S. to reduce its huge trade deficit with Japan, according to an influential economic research group, Reuter reports from Washington.

The Institute for International Economics, a liberal Washington-based "think tank," says in its latest study that the yen should be further strengthened to about 190 to the dollar, from about 213 at present.

The group also says that Tokyo should dismantle its barriers to U.S. exports and take steps to stimulate modestly its economy.

Finally, the U.S. should allow Japan to buy crude oil from Alaska by eliminating the ban it placed on oil exports in reaction to the twin energy shocks of the 1970s.

President Ronald Reagan yesterday allowed a relatively small amount of oil produced in Alaska's Cook Inlet to be sold abroad presumably to Japan. But the move did not affect the state's North Slope, where most of its oil is produced. North Slope oil cannot be sold to Japan without congressional approval.

The study estimates that the trade deficit with Japan would reach a record $45bn to $50bn this year, compared with about $37bn last year.

The study says an increase in the value of the yen would reduce this by $17bn, the reduction in the trade barriers would cut an additional $5bn to $8bn, while the measures to generate increased Japanese growth would be worth about $1bn to $2bn.

A U.S. move to allow Alaskan crude to be exported to Japan would cut the deficit by another $2bn to $3bn, says the study.

"Such an adjustment would be consistent with a sharp decline in the global U.S. current account deficit and would deal with most of the economic problems caused for the U.S. by its current external imbalances," it says.

The institute notes that the Group of Five industrial countries — the U.S., Japan, West Germany, Britain and France — agreed to work in concert last month to reduce the value of the dollar.

It says that before these measures were taken the dollar had been overvalued against other currencies by 30 to 40 per cent.

Veteran returns to fray in Dominican Republic

BY CANUTE JAMES IN KINGSTON

A WIDENING rift in the leadership of the Dominican Republic's governing Partido Revolucionario Dominicano (PRD) has opened the door for the return of a veteran of the country's politics.

Sr Joaquin Balaguer, leader of the centre-right Partido Reformista Social Cristiano (PRSC), is now the front-running candidate for the presidential election, scheduled to be held in May.

Sr Balaguer served three terms as president between 1966 and 1978. The revival of his political fortunes owes much to the inability of the PRD to heal a split over who should be the party's presidential candidate.

The 78-year-old former president has also seen his political stock improve with the difficulties of the administration of Sr Salvador Jorge Blanco in implementing economic changes agreed with the International Monetary Fund. Sr Jorge Blanco is not seeking re-election.

While Sr Balaguer prepares for another term as leader of the Dominican Republic, the governing party is desperately trying to heal the schism which is proving to be its undoing.

The showdown in the PRD has been caused by Sr Jacobo Majluta, a former minister in the presidency and President of the Senate, whose politics have more in common with Sr Balaguer's than they do with the social democratic PRD.

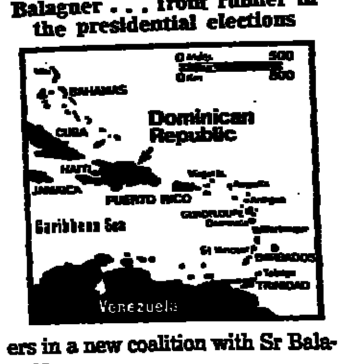
In an effort to impose his candidacy, Sr Majluta has become a consistent critic of Sr Blanco, particularly of the President's handling of the economy. At one stage Sr Majluta ran half the Senate and managed to block legislation which impeded the implementation of Sr Jorge Blanco's economic policies.

The conflict between President Blanco and Sr Majluta intensified when Sr Jose Francisco Peña Gomez, secretary general of the PRD and mayor of Santo Domingo, the capital, threw his hat into the ring. Fearing the splintering of the party, senior PRD officials, including the President, threw their weight behind Sr Peña Gomez.

The peace was short-lived as Sr Peña Gomez, a social democrat, launched a virulent attack on President Blanco's handling of the economy, apparently hoping to ride on the waves of the Government's mounting unpopularity.

PRD officials are contemplating the possibility of certain defeat for the party's candidate, whoever that eventually may be, in the face of suggestions that Sr Majluta could split the party and take his supporters in a new coalition with Sr Balaguer.

Balaguer . . . front runner in the presidential elections



The former president has suggested that the Dominican Republic needs a government of "national unity" and is apparently willing to pin his hopes on his new found popularity, but he has not suggested anything to support a possible coalition with any PRD factions.

The developments on the island are likely to be closely watched by Washington. Confusion about the outcome of the elections could be an invitation for the army to intervene. The army attempted a coup after the 1978 election in which Sr Antonio Guzman defeated Sr Balaguer, and it was U.S. intervention which allowed Dr Guzman to stay in office.

In the likely event that Sr Balaguer, who is politically close to Washington, is returned to office, fears in the U.S. will be mollified. But a new president will face the same chronic economic problems which have been bedevilling Sr Blanco's last days in office.

Sr Blanco's detractors have blamed him for hesitancy in taking a firm decision on a pact with the IMF, and indulging instead in protracted negotiations while the Government's popularity waned.

At the heart of the problem was a package of $460m in extended fund and compensatory financing credits from the IMF, access to which was ended in 1983 because the economy failed to meet the agreed performance criteria.

The negotiations with the IMF dragged through most of last year because the Government baulked at implementing a 67 per cent devaluation of the peso by moving all transactions from the official rate to the "parallel" rate of about three pesos to the dollar.

The Government moved towards accommodation with the IMF last year, but the Congress blocked new budget proposals until April, when the country was granted access to a $90m standby facility.

The administration's concern at violent public reactions to the new economic measures increased in February with street protests over the IMF measures – a reminder of three days of rioting in April 1984, which left 54 people dead.

With the new agreement, the Government has been attempting to cut the deficit in the fiscal budget to 3.7 per cent of GDP this year from last year's 5.5 per cent.

It has also been dismantling subsidies, leading to price increases of 33 per cent for petrol, 50 per cent for transport, between 25 per cent and 47 per cent for electricity and 50 per cent for a range of food items.

With a pact with the IMF in place, and the need to service a $3.4bn foreign debt, President Blanco announced an agreement with commercial bank creditors on restructuring $787m of the country's debts.

Sr Balaguer's initial enthusiasm at the prospect of a new term in office is likely to be dampened by fundamental problems in the economy.

The trade deficit for 1984 was 382.1m pesos, against 493.8m the previous year. The improvement was the result of a slight increase in export earnings and a fall in imports.

The Government had expected a decline of 2.5 per cent in the country's gross domestic product in 1984. The economy did better, growing by 0.6 per cent.

The main economic sectors, however, did not perform well. Sugar, which accounts for 40 per cent of the country's export earnings, has been hit by the U.S. decision to reduce import quotas.

Coffee production improved in 1984 to 865,000 bags.

Contact the Commercial Director, Milton Keynes Development Corporation: (0908) 664666.

Offshore engineering

Why ITM is running fast

BY ANDREW FISHER

"WE'RE IN a hard game," says Alf Duffield, the racehorse-owning boss of ITM (Offshore), which gave British Shipbuilders a much-needed boost this year by ordering a huge crane-ship in Sunderland.

"We've never made a quick buck," he asserts. Nonetheless, the Middlesbrough-based engineering, heavy-load transportation, and offshore group has turned in impressive results in recent years, the latest being a £5m profit on turnover of £28m.

The crane-ship, costing around £60m with all its lifting, handling and computer equipment, will be the largest mono-hulled crane vessel in the world, though an Italian company is building an even bigger one which will be of semi-submersible design.

Under Duffield, a former accountant with the Vickers group, ITM—which stands for International Transport Management—has grown in nine years from a five-man outfit with a capital of £10,000 into a group employing about 700 people and looking to reach annual sales of £100m in the next two years.

Has it all happened too quickly? Salford-born Duffield, a laconically spoken, silvery-haired 49-year-old, reckons it cannot happen fast enough. "We're running fast. We've got to or the road's going to run out and we'll be too late.

"It's time for our philosophy to come true. We're gathering things quickly to us. It won't be long, a few years, before other companies, especially foreign, realise this." The philosophy centres on the ability to carry out most aspects of offshore energy and other engineering projects, without drawing heavily on foreign help.

By building the ITM Challenger crane ship at Sunderland Shipbuilders, Duffield says ITM is "adding another spoke to the wheel." The vessel, with a crane jib 2½ times the height of Nelson's Column, will be able to lift 4,000-tonne loads. ITM hopes to order a sister ship in Britain next year.

Spokes in the wheel are a favourite analogy of Duffield, who is also chairman of Middlesbrough Football Club. ITM's main activities broadly cover engineering, manufacturing and marine (including under-water) work.

Alf Duffield: sees himself as the anchor man

These form the three main divisions of a new group structure which has just been put into place. Duffield owns half the shares, and two other founding directors—John Wilson and Brian Pearson—have 20 per cent each, with Alexandra Towing, the UK tug company, having the balance of 10 per cent. The crane-ship will be 75 per cent owned by ITM and 25 per cent by Alexandra.

But, stresses Duffield, the new structure will not alter the style or operations of ITM. "To increase our fighting weight," a public share flotation will be sought in two years to boost ITM's capital resources.

It is the crane-ship and the offshore ambitions of ITM, however, that mostly exercise the minds of Duffield and his five co-directors. ITM made its name by moving big loads for offshore and other projects such as the Thames Barrier. It transferred the Tudor warship Mary Rose from the recovery to the restoration barge.

ITM has also gone into undersea cable-laying—two years ago, it ran into controversy by placing an order in South Korea for a ship to lay cable between France and the UK—and port facilities through its barge-based Flexiport system used in the Falklands.

Duffield sees a great opportunity, which he says other companies have not picked up, for a UK company to develop skills in the offshore sector, and then export them.

Fifteen months ago, ITM paid £1.5m for the Head Wrightson engineering company in nearby Cleveland. The seller, Davy Group, said it would close it down without a purchaser. ITM wanted the facility, capable of high quality fabrication for the offshore, mining, process plant, and nuclear sectors, to add to its large site in Middlesbrough.

Head Wrightson, now employing 350 compared with the 150 to which the worforce had been run down before the purchase, still needs more work, says Duffield. Though profits of ITM as a whole rose from £2.6m to £5.01m on turnover of £28m (£22m) in the financial year to March 31 1985, Head Wrightson made a £400,000 loss from the time of the acquisition.

Duffield feels that more of Head Wrightson's work should be linked to projects in which ITM is involved. Having worked on lifting, drilling, and diving, it wants to be more active in production and take a stake in marginal North Sea oilfields.

The crane ship will play a key part in ITM's offshore strategy. She will be able to lift loads at sea, as well as carry out salvage, fire-fighting and other emergency work. The competition, in a field not overcrowded at present, will be Dutch, US, and Italian.

On the drawing board is a project called ITM Victory to convert a supertanker into a craneship capable of lifting up to 8,000 tonnes. At the moment, though, says Duffield, "this is not being actively pursued."

The potential of ITM Challenger, for which ITM is building the crane—nearly a third of the ship's value—to a design by Clyde Cranes, will be magnified if a second ship is built, believes Duffield. The two could work together, their activities controlled by computer.

The rival semi-submersible, with a 6,000-tonne lift capacity, is being built by Micoperi of Italy. Duffield has met Dr Giovanni Makaus, head of the Milan-based company. Co-operation on certain projects may be possible, "but our reputation has been built on providing packages and being responsible for them."

At ITM, adds Duffield, "we like to do everything ourselves." The crane ship "could be a very big earner overseas for the UK." ITM Challenger will be an advanced ship. "We intend to go into the world and compete with her."

He has strong views on the erosion of Britain's manufacturing capacity. He feels the Government has let too much of industry slide away. "We couldn't allow Head Wrightson to disappear. It's a major facility that would never be replaced."

Keeping key manufacturing plants going, he believes "is necessary for the survival of British industry." He feels vindicated in this view by the difficulties suffered in the electronics sector. With northern bluntness, he states: "We can't survive with silly computer companies."

ITM intends to survive by concentrating hard on the business it knows. The rolled-up sleeves approach is very much part of the ITM style. Duffield says he has only had a week's holiday in eight years.

"I feel like the anchor man who's got to be available." Very much committed to the future growth of ITM, he describes himself as a worker-owner. "I don't consider myself as labour or capital, I'm in the middle. I work for both sides."

Overcrowding on the promotion ladder

Nick Garnett on the background to the growing number of 'plateaued' managers

"PLATEAUED managers" are becoming a problem for British companies. The term is part of the jargon of the personnel industry and refers to the manager who is valued by his company but for whom there are no prospects of promotion or advancement even though his company wishes to retain him.

Coming to grips with the problem has deferred even those companies which recognise it. And the ranks of these managers have swollen enormously over the past decade of manufacturing contraction, shrinking management numbers and strangled promotion prospects.

In personnel jargon—again—the plateaued manager is a "solid citizen," part of the "boiler room," but who has reached the highest branch he is ever going to reach on the management tree. (It could be a woman who finds herself in this particular predicament, but the vast majority are men.)

Those who find themselves stranded in this management limbo find it generates feelings ranging from guilt to frustration and de-motivation. Such a manager is likely to be in his 40s, though he could also be a graduate in his 30s with high, unfulfilled expectations.

These findings emerged in a survey of 19 companies, each employing more than 1,000 people, carried out by the Cambridge-based Industrial Training Research Unit specially for the recent Institute of Personnel Management conference.

In almost half of these companies, some of them household names, the plateauing phenomenon was seen as a "serious problem." Yet few, if any, were geared up to cope with it.

The researchers also came away with a strong impression that many companies actually behave in a way that is detrimental to the plateaued manager.

Such managers represent a big chunk of many companies' management talent. The personnel department of one large manufacturing and services organisation classified 39 per cent of its managers as plateaued.

In another manufacturer, over half its 400 managers had been stuck on the same grade for more than five years and were unlikely to proceed further.

Tom Glynn Jones, manager of human resources at BP, which seems to have thought about this problem a little more than most companies, told the conference that 40 per cent of its 1,350 managers are plateaued.

It must be said that while 19 companies took part in the investigation, 31 others approached did not bother. Personnel managers in a few of those that did failed to see plateauing as a problem. There appeared to be scepticism, too, among some managers at the IPM conference that it was really an issue at all for their businesses. "Many of our managers are just happy they have got a job," said one man from the National Coal Board.

But there was one other question thrown up by the seminar. The 121 personnel people attending it were asked to fill in a questionnaire about their own feelings as managers. Eighty per cent of them said they were satisfied or very satisfied with the amount of responsibility they had and the opportunity open to them to use their abilities.

The plateaued manager was classified by the survey into three groups. One was the senior/middle manager aged 40-50 who has moved up the company steadily but is now displaced from further promotion by young high-fliers.

These people are slightly frustrated and somewhat put out but "quite relieved at the chance which plateauing may give them to relax in their present job," says the report.

The second group was made up of similar people but who had bigger aspirations and for whom self-esteem was tied to their level in the company. "These people tend to be characterised by low morale, cynicism and depression."

The final group was the high-flier in his 30s who now sees that the company is not likely to deliver the rewards, advancement and eventual status he expected. Browned off, these people are likely to pack their briefcase and clear off—which is just what the company does not want them to do.

Plateauing (sometimes also known rather in a banal way as the "menopause" factor) occurs more in companies that are in decline and which have traditional pyramid management tiers.

It also appears to be more common in organisations relying on annual appraisal systems for assessing promotion potential and where there are no clear ideas on management succession.

Unfortunately, researchers found that companies were doing things that aggravated the problem. Many plateaued managers actually did not mind too much being in this state but were encouraged to [illegible] up" to this for fear of being branded a wimp. The corridors of Britain's biggest companies seem liberally sprinkled with such closet worriers.

One general feeling was that communications between what might be loosely referred to as "the company" and plateaued managers is poor, to the point where they are even worried to say they are not worried. If companies use appraisal systems, they should use them properly, is the message.

Pedigree petfoods has a well-developed counselling service which it says it needs because a hefty two-thirds of its managers are plateaued. Howell Wilson-Price, the company's management resourcing manager, said three key features of the service were its absolute confidentiality, that it was not rooted in a judgment of the individual, and that people were encouraged to marshall their own resources to help themselves.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Personal guarantee

I was principal of a group of companies and to support the group lending I gave a personal guarantee limited to £50,000. In addition to support lending from a finance house I also gave a personal guarantee.

The finance house had a debenture, fixed and floating on the assets of the company and had a first charge up to £60,000 plus interest. The bank also initially had a debenture fixed and floating and gave priority to the finance house for £60,000.

The bank subsequently changed the form of debenture to include the new clause. It was also going to change the finance house to which it was connected to "promote" it, as apparently there was a problem since it had given it the priority on a floating charge.

Unfortunately we had to call in the receivers to the group soon after the new debenture was signed and before the "promotion" was made.

Immediately both the bank and the finance house called on my guarantee; however, I felt secure in the assumption that both guarantees were covered.

The finance company made no attempt to collect under its first floating charge presumably because to do so would have undermined the bank's position—indeed it has not even made a claim against the liquidation, although it is now evident there would not be any money available for unsecured creditors.

The bank collected under its new debenture and was paid in full. I am paying the finance house.

I appreciate a guarantee is what it says but surely if the finance company could have collected under its priority charge it should do so even if it prejudiced a claim by the parent bank.

If the finance company had done so, it would have collected £60,000 plus approximately £5,000 interest (which I am currently paying). The bank may have had to rely on my guarantee but this was limited to £50,000. I suspect the finance house agreed with the bank not to take action.

Do you consider I have a case?

The finance company was entitled in law to choose to seek its remedy against you in preference to proceeding direct against the principal debtor. On paying out the finance company you will be entitled to stand in its shoes as against the principal debtor and to enforce against that debtor any charges which were given by it to the finance company.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

TECHNOLOGY

EDITED BY ALAN CANE

Peter Marsh on a mission to find what causes motion sickness

Astronauts set for bumpy ride

ONE OF the world's most expensive seats will feature in an ambitious space technology flight due to start today. The £500,000 space sled to be used by astronauts in tests on the human body in space, is one of the main experiments on a West German scientific mission to be carried on the U.S. space shuttle Challenger.

The week-long mission, based on Spacelab hardware which the country is hiring from the U.S. National Aeronautics and Space Administration, is costing West Germany about £105m.

Spacelab, a big aluminium module packed with experiments and with room for several people, will sit inside the cargo bay of the shuttle while the crew of eight astronauts conduct a total of 76 experiments, most of them concerned either with low-gravity materials processing or biological studies.

The space sled, a seat mounted on a 7-metre track, promises particularly interesting results which could help in planning long space missions, for instance aboard the $12bn international space station planned for the 1990s. The sled was built by Marshall of Cambridge, a British company which specialises in aerospace hardware, for the 13-nation European Space Agency.

In a series of experiments, the seat will be propelled along the track electrically while an astronaut is in position. The movement of the seat will be programmed to produce a variety of accelerations while the astronaut is monitored.

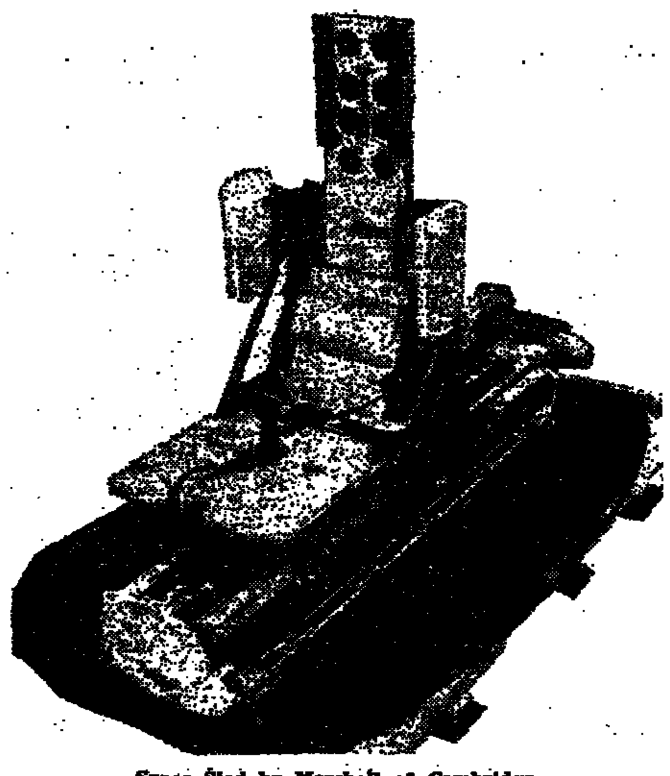
The results should provide information about the causes of space sickness. This afflicts many astronauts in the first few days of space flight and is believed to result from the effects of weightlessness on the body's balancing mechanisms in the inner ear.

Supervising the sled experiments will be the two German members of the crew, Professor Reinhard Furrer and Dr Ernst Messerschmid, who work for the DFVLR, the German aerospace research organisation and Dr Wubbo Ockels, the first Dutchman in space, who was selected for the flight by the European Space Agency.

The three professional scientists are joined on the flight by five Americans who are full time members of Nasa's 80-strong astronaut squad.

The sled experiments could be rather unsettling for astronauts chosen to sit on the device. Physicians know that head movements are likely to cause space sickness, but they lack data on precisely what forms of activity brings on the ailment—and on how the body builds up resistance to sickness in later stages of space flight.

Astronauts sitting on the sled will be heaved about under computer control to provide a series of accelerations. During the experiment, the subject's respiration and pulse level will be recorded. Mission planners say the trials will be stopped as soon as the astronaut reaches what in space jargon is called "malaise two" levels of nausea and will be cut short if the person feels uncomfortable.



Space Sled by Marshall of Cambridge.

Launch of an adaptable tanker

Hilary Barnes on a series of versatile but expensive new tankers being built in Copenhagen

BURMEISTER AND WAIN, the Copenhagen shipyard, last week presented the first in a new series of product tankers, a kind of floating Thermos flask which can carry 11 different cargoes simultaneously and load and unload six different cargoes simultaneously.

A series of six of the vessels, called CPT54E type, has been ordered for operation by the Norwegian Ugland group. The ships were contracted by thousands of Danish part-investors and will be managed by the Danish Dampskibsselskabet Norden.

The new vessels were developed to supercede the successful, pioneering 64,000 dwt Panamax fuel economy bulk carriers which were the mainstay of Burmeister and Wain's programme from the mid-1970s. "We could not continue in bulk carriers, so we abolished that programme and developed this new concept," said Mr Cato Sverdrup, B and W's managing director.

The result is an 84,000 dwt product tanker with a double-hull and double deck, providing thermal insulation of the cargoes. These can include crude oil, petroleum products, ethanol, vegetable oils and many kinds of chemicals.

In addition to the versatility and double-skin construction, the other outstanding feature of the vessels is that the product tanks themselves are free from obstructions, which facilitates cleaning, and they are coated with a phenol epoxy paint, which means that they can be used to carry ethanol.

"The ships have proved much more difficult to build than expected," said Mr Sverdrup. The double hull calls for great manufacturing accuracy, while the cleaning and sand-blasting specifications are so high before the epoxy coating can be applied that there was a four-week delay in the delivery of the first ship in the series, which will be handed over in mid-November.

"It's the world's best ship, but it is also the world's most expensive," said Mr Sverdrup.

The expected loss on the first vessel was DKr 60-70m, but it will in fact run to DKr 120m, all of which will be carried on the 1985 accounts, which will therefore show a loss of DKr 80-100m. The yard is expected to return to break-even in 1986.

In addition to the special features, the new ships have the hull configuration and fuel economy B and W-M.A.N. diesel engines which made the yard's bulk carriers a success. Speed tests showed the first of the new series consuming 22 tonnes of oil a day at a cruising speed of 13 knots.

Mr Atle Berghaven, executive vice president of Ugland, said the philosophy behind the new concept—dubbed The Golden Concept-Your Portable Pipeline by Ugland — was an expected increase in demand for product tankers. This, he said, arose partly from the fact that the oil producing countries were going into refining, partly because since the first oil price shock the trading pattern, the oil market has become fragmented.

The double skin provides a Thermos flask effect, reducing heat loss and preventing overheating when the ship is exposed to strong sunshine. This reduces the cost of maintaining cargo temperatures or keeping them cool.

Last week's presentation of the ships was overshadowed by the uncertain future facing the Danish shipyards. As a result of changes introduced last December, the tax-shelter part-investment system, by which the series of six product tankers was financed, was abolished by the Folketing (parliament). "This was a disastrous blow, the whole basis on which we were marketing the ship was changed overnight," said Mr Sverdrup.

Since last December, neither B and W nor any other Danish shipyard has received a single new orders, as they are now unable to compete financially with yards elsewhere.

Eliminating the old timesheets

HOURS of clerical staff time spent preparing timesheets could be eliminated by an automatic system from Factory Data Systems of [illegible], Surrey.

The company says its Timewatcher system can give up to the minute information about all jobs or projects in progress in a factory or office.

There is software available which will automatically produce daily, weekly or monthly timesheets for each staff member. It will also give regular updates of costing records on particular jobs or projects, and can store target deadlines so the host computer will automatically highlight stages which are overrunning their target time.

Staff are issued with individually coded identity cards. They book on to a job by keying in a project number and the stage of the work they are engaged on. Using an optical bar code reader, this information can be entered directly from computer-generated shop floor documentation.

The system also provides for logging such information as staff involvement in a training session or the reason for delay on a particular work stage. As many as 16 Timewatcher terminals can be connected to a personal computer.

More on 04867 81024.

Bright computer forecast

THE U.S. microcomputer business may be in a deep slump but the European market for professional personal computers will expand steadily through to 1990, according to the New York-based market research organisation, Frost & Sullivan. Hardware sales of about $3.1bn this year are likely to grow to $6.98bn by 1990, it says, adding that the software market in western Europe will also show sound growth. "In 1990, software sales in western Europe for low end micros will reach a value of $6.87bn, a substantial increase over 1985's $1.28bn," it says.

By 1988, the UK should account for over 26 per cent of the whole west European market with West Germany taking 20.7 per cent and Italy 11.2 per cent.

The authors of the Frost & Sullivan study predict there will be a strong Japanese challenge for the home and small business sectors of the market with the introduction of second generation machines which will be far more advanced, compact and versatile than their current ranges.

In a second study, Frost & Sullivan says that demand for fault tolerant computers is soaring as businesses as diverse as banking and chemical manufacturing look to safeguard themselves against disaster.

In Europe, the market for these machines should exceed $1.9bn by 1990.

The reports cost $2,200 and $2,150 respectively and can be bought from Frost & Sullivan on 01-486 8377 in London, 212-233 1080 in New York.

Safer loading with special wheel chocks

WHEEL chocks to locate tankers exactly beneath nozzles filling them with dangerous chemicals and hold them immobile have been introduced by Godwin Warren Engineering.

Regulations insist that rail tankers being filled with, say, caustic soda or liquid chlorine must not have the brakes applied for fear of the brakes locking as the load increases.

The Godwin Warren solution—one for level weigh-bridges, one for slight gradients — involves pneumatically positioned chocks.

More on 0272 778399.

Voice device holds promise for the disabled

BY HENRY MARA

A COMPUTER which controlled electrical appliances when you issued a spoken order would probably count as little more than an intriguing novelty in most households. For the physically disabled, though, a machine which translated voice commands into actions could be the key to overcoming severe difficulties and providing a sense of security.

The prototype of just such a device went on show in the October exhibition of National Aids for the Disabled in London. Vadas, developed by Voice Control of St Ives near Cambridge, is a microprocessor in a box the size of a small book.

It can turn televisions, radios, lights and other appliances on and off, it can open and close curtains and even control a security camera over a front door — all at its owner's spoken command, no matter what the language.

Voice Control claims the device is the first to achieve with a box small enough to hold in the hand what has hitherto needed a bulkier personal computer consol and keyboard.

It consists of a microprocessor-controlled voice recognition system coupled with a mains signalling system. It has its own built-in microphone and employs advanced mains signalling techniques which make use of the existing mains wiring in the home.

From this one small box, up to 16 appliances can be controlled. It also has a 110 to 240 volt switchable power supply and can be used in either wake or sleep mode. This means it can be left on but dormant and needs only the command "wake up" to bring the rest of its vocabulary back into action.

A command issued in error can be overridden at the push of a button, and a liquid crystal display shows two lines of characters. The upper line is for prompting and the lower displays the command word as confirmation.

The LCD's five by seven dot matrix means that characters in Greek or Russian, say, could be displayed as easily as Roman letters.

Vadas will be sold at £375 (plus VAT) for the box and £25 inclusive of VAT for each mains signal receiver switch fitted to an appliance.

Provided safety trials in the field showed that voice control was as effective as the highly-valued Possum control systems, which need some simple form of physical contact to be activated, the smaller, cheaper device could prove formidable competition for existing methods of helping disabled people.

Vadas might also bring earlier help to disabled people who could prove that the newer device would solve their problems, even if they were not eligible to receive Possum equipment or lived in a local authority area which could not provide the money for one in the short term.

Mr David Yelding, project manager of The Research Institute for Consumer Affairs, suggested: "There ought to be a regular co-ordinated updated research programme for testing aids and publishing the results." Mr Bert Massie, an executive of the Royal Society for Disability and Rehabilitation noted: "In Sweden, their Handicap Institute assesses every new aid."

Light for night riders

RIDING enthusiasts may feel safer in the saddle with a set of stirrup lamps sold by Fizgig of London (01-885 1063). The lights cost £85 (including batteries and a recharger) and show white to the front and red to the rear to give riders higher visibility in the dark.

APPOINTMENTS

Changes at McAlpine

Mr A. J. McAlpine retires on October 31 as chairman of ALFRED McALPINE and becomes life president. He is succeeded as chairman by Mr R. J. McAlpine who remains as chief executive. Mr O. J. Rich is appointed deputy chairman and Mr B. W. Stanley succeeds Mr Rich as divisional director, construction. Mr J. T. Wilson is appointed to a new position with overall responsibility for the north and south regions of Alfred McAlpine Construction, and Alfred McAlpine Plant. Mr H. J. Stevens is appointed managing director of Alfred McAlpine Construction south region. The changes become effective from November 1.

*

TRIPLEX ALLOYS, part of the foundry division at Triplex, has appointed Dr John Campbell as technical director from November 1. Dr Campbell will be best known for his work with Cosworth and the development of an aluminium casting process to produce premium quality castings.

*

MANDERS (HOLDINGS) has appointed Mr S. Wainwright as deputy chairman from November 1. He has been a non-executive director of Manders since 1973.

Mr Richard Heap has been appointed technical director of FREIGHT SOFTWARE SYSTEMS (FSS) of Croydon. Mr Heap moves to FSS from a similar appointment at Synergy Logistics, prior to which he was engaged in transport research at the Cranfield Institute of Technology.

*

TELEX COMPUTER PRODUCTS has appointed Mr Richard Slegreve as vice-president of its European operation and general manager of Telex Computer Products (UK).

*

CELETTE CHURCHILL has appointed Mr Geoff Allen as director and general manager. He succeeds Mr Chris Lien who is taking up a new appointment with the TI Group as sales and marketing director of TI Crypton.

*

Mr Robert Norris has been appointed an investment manager; and Mr David W. Smith becomes an assistant manager (data processing) at the SCOTTISH MUTUAL ASSURANCE SOCIETY.

*

Mr Tony O'Ferrall, director of operations for RANK THEATRES, will become managing director on November 1. He was appointed controller of Rank's theatres in 1983, becoming director of operations a year later.

*

Mr Gary Greenhalgh and Mr A. W. (Bill) Revell have been appointed directors of AAH HOLDINGS from November 1.

CONTRACTS

£12.5m work for R.M. Douglas

R. M. DOUGLAS CONSTRUCTION has been awarded £12.5m contracts, of which £3.5m is for three sheltered housing schemes. Accommodation for 43 persons is being built in Middlesbrough for the North Housing Association at a cost of £700,000. In London two schemes for the Shaftesbury Society Housing Association will provide accommodation for 76 in Battersea and 41 in Erith.

Also in London, a fitting out contract for Texas Homecare in Brighton which is underway, and an office block of 785 sq metres on three storeys for Princeton Estates, will together add another £1.06m.

Douglas has an order for £1.23m from Vickers Shipbuilding and Engineering for a pipe cleaning plant at Barrow-in-Furness. In South Wales a contract for the Welsh Development Agency for £2.25m to build a factory in Rassau for Yuasa Batteries has started, as also has another for £1.04m for City Investments Group to build a shopping park in Gorseinon. Soon to start is a 22-week contract to build a retail unit in Weston-Super-Mare for Allied Carpet Stores for £452,000.

The Property Services Agency has awarded a contract of £1.4m to refurbish a hangar at RAF Shawbury in a contract period of 58 weeks. A £594,000 contract has been won for re-roofing works at Jaguar Cars plant at Radford. In Milton Keynes work will start soon on a 37-week contract of £618,000 to extend the office and laboratory buildings of Automatic Systems Laboratories to help them meet their increased sales.

A £2.5m management contract from Messila House is for refurbishment and redevelopment of "The Holme," an historic Regency house in Regents Park. Work starts next month for completion by the end of 1986.

*

Chesterfield maternity project

HENRY BOOT NORTHERN has started on the construction of a £6m maternity unit in the grounds of the new Chesterfield and North Derbyshire Royal Hospital.

It is the second phase of the new hospital's development and the part single, part two and part three-storey maternity unit will include reception, administration and education areas, ante-natal clinic, central delivery suite, a special baby care unit, operating suites, X-ray department, medic physics section and maternity gynaecology wards. Completion of the project is scheduled for April 1988.

Strathclyde Regional Council has awarded a 78-week contract to Henry Boot Scotland for the construction of a primary school in Dykehead, Shotts. This £900,000 contract includes the erection of a 1,825 sq metre single-storey steel-framed building housing open plan classrooms, dining area, staff room facilities, cloakrooms and toilets. Hard and soft playing areas are planned together with protective measures in mine shaft locations.

*

R. DURTNELL AND SONS of Brasted, Westerham, Kent has been awarded the following: extensions, alterations and refurbishment work at Hayes Court, Bromley, Kent, for the Electrical, Electronic, Telecommunication and Plumbing Union. ODC Architectural and Surveying Services is the architect and the contract value is £1.3m, with a contract period of 80 weeks. Construction of the VIP arrivals, prestigious coach service canopy at Gatwick Airport, Sussex for the British Airports Authority. The contract is worth £26,000, with a contract period of four weeks. Construction of 16 one-bedroom and 22 two-bedroom sheltered flats at Lyons Crescent, Tonbridge, Kent for the Hyde Housing Association. The contract value is over £1m, with a contract period of 18 months.

*

WILTSHIER SCOTLAND has won two contracts together worth £1.37m. They are two rehabilitation projects in Glasgow: 18-26 Kent Road and 52-54 Cleveland Street houses are to be refurbished for Avalon Corner Housing Co-operative. The contract is worth £683,000 and completion is due in August next year. The rehabilitation of tenement properties is under way at 8-12 Pembroke Street and 492-498 St Vincent Street, Glasgow. Sandyford Housing Association has awarded the £695,600 contract with a completion date in July.

*

A contract valued at over £5m has been won by CABLE & WIRELESS SYSTEMS in Hong Kong for a communications and control system for the territories' Tuen Mun light rail transit project. An options contract valued at some £2m has also been signed. CWS, Hong Kong, a wholly-owned subsidiary of Cable and Wireless, was awarded the contract by the Australian consortium undertaking the LRT project, Leighton-MTA.

*

BOWEY CONSTRUCTION, the Newcastle-based building contractors, has won a £1.4m contract to refurbish the Princes Building on Newcastle's Quayside, for North Housing, as a commercial and residential development. Other contracts include work on the Blyth Fire Station, a new training school for NEEB, and various modernisation schemes for Castle Morpeth Borough Council, the latter worth more than £600,000.

*

The Leeds office of WIMPEY CONSTRUCTION UK has been awarded four contracts totalling £2.87m. The largest, for Leeds City Council, is for modernisation of 117 council houses at Westfield, Bramley, valued at £1.3m. Work is scheduled for completion in October 1986. The other three contracts are for Stockton-on-Tees Borough Council. The first, valued at £800,000, covers the modernisation of 100 bungalows at Lunedale Road, Billingham, for completion in February 1986. The second is for modernisation of 74 dwellings on the Hardwick Estate, Stockton-on-Tees. Work on this £500,000 contract will be completed during March 1986. The third is for the refurbishment of 41 dwellings on the Mandale Estate at Guisborough Road, Stockton-on-Tees. Valued at £274,000, the contract is expected to be completed in March 1986.

*

QUARMBY CONSTRUCTION CO of Ilkley has won a batch of contracts valued at over £2m. The projects include a non-food retail development in Dewsbury for St James Securities. In Halifax, Quarmby is building the Pennine Shopping Centre. Other projects include a prime high street shopping scheme for the group's own development company in Ilkley, a Comet retail development in Darlington, a new music department at Malsis School near Keighley. Work to be carried out on listed buildings includes: the refurbishment of The Royal Pump Room, Harrogate and the conversion and renovation of an old water mill to eight houses at Addingham, Yorkshire.

*

Construction is under way on the Lakeside Technology Centre in Swansea for Enterprise Zone Developments. Awarded to MOWLEM MANAGEMENT, working in partnership with Mowlem's regional operating company Isaac Jones Construction, Llanelli, the contract is valued at £1.07m. Project consultants are BDB Project Management, Preston. The centre comprises two buildings of single- and two-storey construction covering 3,000 sq metres. It is intended to be flexible and to suit the requirements of each tenant.

D. T. BULLOCK & CO has been awarded contracts worth over £4m in the past month. Spiral Housing Association has awarded a £1.25m contract to convert existing shops, offices and storage buildings into 43 flats in Worcester. Newbury District Council has placed a £524,000 contract for 47 housing modernisations at Lambourn, Berkshire. A comprehensive modernisation of 50 dwellings with new kitchens and bathrooms, new central heating, plumbing and rewiring is to be undertaken at Altrincham for Trafford Borough Council. The contract, worth £669,000, will be administered from Bullock's Warrington office. Another housing contract about to start on site for North Housing Association is at White City, Newcastle upon Tyne. The contract, worth over £569,000, includes the modernisation of flats and houses, together with the conversion of 17 pairs of flats into houses.

Bullock Specialist Services has won contracts worth £1.11m. They include repairs to Woolaway houses for Rhymney Valley District Council (£586,000) and repairs to Airey houses for Mid-Bedfordshire District Council (£512,000).

*

Stockport-based MULTI CONSTRUCTION has been awarded a contract by Cyril Bernstein, Manchester. The design and build contract includes extensions to existing production facilities and foundations for a new Giben machine. Work is scheduled for completion in February.

*

Roadwork for Balfour Beatty

BALFOUR BEATTY CONSTRUCTION has been awarded a contract worth over £3.5m for the construction of the advance works on the Linclive section of the Johnstone bypass on the A740. The works, programmed for 65 weeks, involve the construction of 1.2 km highway embankment with granular material, together with drainage provision to accelerate consolidation below the embankment and include the installation of instrumentation to monitor the settlement and soil conditions during and after construction. Works on this section also include construction of a roundabout and 1.4 km of slip roads. A second section comprises the construction of hard margins on both sides of the existing dual carriageway to the east of Linclive roundabout over 1.8 km together with drainage alterations and overlay/reconstruction of the existing carriageway. Balfour Beatty is a BICC company.

UK NEWS

Tories to name MPs who 'abuse' regulations

By Kevin Brown

MR DOUGLAS HURD, the Home Secretary, yesterday promised to name 23 members of Parliament accused by Mr David Waddington, the Home Office Minister of State, of abusing immigration regulations.

Mr Hurd's statement followed sustained protests from opposition Labour members angered by Mr Waddington's claim that the immigration service was being strained by their excessive representations.

Mr Waddington refused to name the MPs involved on the grounds that his comments were based on confidential correspondence sent to the Home Office.

Mr Hurd said it was "entirely right" for Mr Waddington to raise the issue in the House of Commons. He said the 23 MP's were being contacted for permission to publish their letters, after which they would be named.

He said it was not being suggested that the Labour members had broken the law, but there were "obvious difficulties" when representations were made on behalf of overseas visitors about whom an MP had no knowledge.

There were "one or two cases" where MPs seemed to be deliberately facilitating the temporary admission of overseas visitors who they had every reason to believe would not qualify for entry under the immigration rules, Mr Hurd said.

If these MPs actions were widely copied the result could only be a weakening of the immigration control system.

Mr Hurd said the Government was anxious to strike the right balance between MPs' rights to make representations and the need for effective immigration control. He promised talks with the MPs involved "in the hopes of working out a sensible answer."

The statement failed to satisfy Mr Gerald Kaufman, Labour's home affairs spokesman, who had led opposition protests on the issue.

Mr Kaufman said that "in essence the allegations which the government are making add up to a whine that the actions of MPs are an inconvenience to the executive. But one of the most essential functions of an MP is to be an inconvenience."

□ THE WEIR group and Balfour Beatty have formed a joint venture to tender for the management contract at Rosyth naval dockyard in Fife, Scotland. The Government announced last July that it wanted to place Rosyth and Devonport dockyards under commercial management by the spring of 1987.

□ BRANCH officials from the breakaway Nottinghamshire area miners' union unanimously approved a 5.9 per cent pay offer from the National Coal Board to the area's 27,000 mineworkers.

□ BRITISH doctors earn more than £400 a week on average, according to figures published in the Government's New Earnings Survey. The survey shows medical practitioners are the first group to pass the £400 mark.

□ REUTERS, the news and information group, has taken a majority shareholding in Visnews, the international television news agency.

Reuters has paid the BBC £2.6m for just under 22 per cent of its stake to lift the Reuters share from 33 to 55 per cent.

The BBC stake in the organisation, which has more than 420 subscribers in 83 countries, falls to 11.25 per cent, matching the share of the other shareholders – the Australian, Canadian and New Zealand Broadcasting Corporations.

□ THE GOVERNMENT has approved the sale of the Vosper Thornycroft shipyard at Southampton to a management consortium for £18.5m.

Inquiry ordered after spy case acquittals

BY KEVIN BROWN

THE GOVERNMENT yesterday announced an independent inquiry into the case in which eight servicemen were cleared of charges brought under the Official Secrets Act. They were all accused of espionage based on their work at a signals unit in Cyprus.

The total collapse of the prosecution's case came on Monday when the last two accused were acquitted at the Central Criminal Court in London. It was Britain's largest, longest and most expensive spy trial, estimated to have cost £5m.

It was also revealed that the case was referred to the Security Commission by Mrs Margaret Thatcher, Prime Minister in June 1984, because of the gravity of the apparent breaches of security.

Mrs Thatcher told the House of Commons yesterday that the involvement of the Security Commission was not announced in order to avoid any interference with the trial of the eight men. She promised a full report to parliament after consultations with the chairman of the commission.

Mr John Stanley, the Armed Forces Minister, said in a statement that Mr David Calcutt, QC, would inquire into the conduct of investigations by the Royal Air Force and Army Police.

He said the inquiry would be non-statutory, but promised full co-operation by the Ministry of Defence. It emerged yesterday, however, that Mr Calcutt would not be able to compel witnesses to give evidence, and may not be able to offer immunity to witnesses.

Mr Stanley said Mr Michael Heseltine, the Defence Secretary, had launched an inquiry into security at the Cyprus base and other intelligence units after the first of the eight servicemen was arrested. A large number of recommendations for tightening security had already been implemented.

Mr Stanley resisted pressure from both sides of the Commons for financial compensation for those acquitted. He said there was no precedent for compensation in similar cases. The future of the servicemen would be subject to service regulations, including a final appeal to service boards. No proceedings were contemplated against any other suspects.

Mr Denzil Davies, Labour's defence spokesman, said there were fundamental questions to be answered about the responsibility for the decision to bring a prosecution which turned out to be "full of holes" and largely based on confessions extracted by dubious or barbaric means.

Mr Stanley said the Defence Ministry had followed standard procedure early in the investigation by involving the Director of Public Prosecutions (DPP). He instigated inquiries by the Metropolitan Police Special Branch, and subsequently decided that the evidence justified prosecutions.

The decision to prosecute lay entirely with the DPP. Ministers were not informed about the course of the inquiry, and the case went ahead after consent was given by Sir Michael Havers, the Attorney General.

Minister sets out takeover principles

By Charles Batchelor

COMPETITION was the biggest but not the only issue considered by the Government when applying its mergers and acquisitions policy, Mr Michael Howard, Corporate and Consumer Affairs Minister, said in his first major policy speech yesterday.

The policy had, however, always provided for cases deserving investigation on other grounds "where the destiny of a vital national capability is at issue," he told a conference on international mergers and acquisitions.

Mr Howard stressed that he did not want to appear to prejudge a decision on any specific merger proposal. But his comments have come at a time of intense takeover activity.

This has culminated in a record-breaking £1.8bn offer from Elders IXL, the Australian brewing, agricultural and trading company, for Allied Lyons, the British food and drinks group.

Mr Howard's confirmation of government policy on takeovers was intended as a reply to comments made last Thursday by Mr David Walker, a senior Bank of England official, suggesting that the policy was too narrowly based.

Mr Walker said that UK policy should take into account the financing techniques used by bidders, particularly if they resulted in a rise in company debt. Many recent bids, including that by Elders, have been heavily financed by debt.

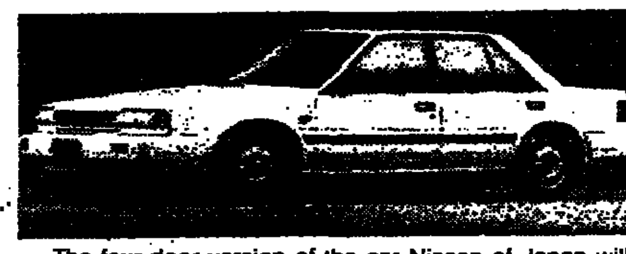
Mr Walker, the Bank director responsible for industrial matters and the securities markets, said government should take into account the broader international implications of a merger.

JAPANESE GROUP WORRIED BY SCALE OF HONDA PLANS IN BRITAIN

Nissan may step up UK operation

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN TOKYO

NISSAN, Japan's second-largest vehicles group, is under intense pressure to move swiftly to the large-scale manufacture of cars in Britain from the planned initial assembly of imported kits. There are fears that Honda, its arch-rival, may get to a UK manufacturing stage first.



The four-door version of the car Nissan of Japan will assemble at its factory in the UK from next summer.

These worries are becoming increasingly clear during the run-up to the Tokyo motor show, where Nissan will today launch the model which is to be assembled in its factory being built at Washington, in the north-east of England.

The car, code-named GP, has caused surprise because it is slightly larger and covers a much wider market segment than the Stanza, which it will replace when it goes on sale in Western Europe and North America next March. It is a direct competitor to Ford's Sierra, the Opel Ascona/Vauxhall Cavalier from General Motors and BL's Austin Montego.

Nissan executives admit to being taken off-guard by Honda's apparent intention to have substantial numbers of its cars made in the UK on a sub-contract basis by BL's Austin Rover subsidiary. Mr Harold Musgrove, Austin Rover's chairman, is in Tokyo with a large technical team for discussions with Honda, as well as to be present at the first public presentation of the XX, the executive saloon developed jointly by the two companies.

It would seem logical for Austin Rover at first to produce at its Longbridge factory some versions of the Honda Ballade for the Japanese group's European dealer network. Austin Rover already produces under licence from Honda a version of the Ballade which is sold as the Rover 200 series. Output could get under way as early as next year if agreement is reached this week.

Nissan executives are astonished that a project which eventually could lead to Austin Rover assembling 100,000 cars a year for Honda has attracted so little attention in the UK.

Mr Musgrove will also discuss with Honda the next joint venture between his company and the Japanese group – for a medium-sized car which will, in Austin Rover's case, replace the Maestro and Montego models.

Honda's known potential for speed of executive action, could leave Nissan well behind. Nissan said formally it would start assembling the GP at the rate of 24,000 a year in the UK from next August and then will take a decision on phase two in 1987, which could lead to the production of 100,000 cars a year on a single shift at Washington, starting in 1991.

Some Nissan executives say privately, however, that not only could the decision on the phase two be brought forward to next year, but also production at Washington could quickly be pushed up to two shifts, or more than 150,000 a year.

The model will be offered in three body shapes – a four-door saloon plus three and five-door hatchbacks, with five different standards of trim. There will be four engines available in Europe.

Mitsubishi joins GKN car spring project

MITSUBISHI Steel Manufacturing of Japan is entering a joint venture with GKN to develop the potential of the UK engineering conglomerate's technology breakthrough in composite springs for commercial vehicles, writes John Griffiths.

The potential world market for the springs, which are about two thirds lighter than their steel equivalents, is about 20m units a year. The Japanese market could be worth £160m to £170m a year.

While several of Europe's largest commerical vehicle producers are still evaluating the springs, on which GKN has spent £17m to develop and bring into production, Mitsubishi appears to have recognised the potential threat to its steel-vehicle springs business and is therefore seeking access to the new technology.

The springs provide a weight saving – and equivalent payload increase – of about 55 lbs on a typical medium van and have the advantage that, should they fail, they split longitudinally rather than break. This means a vehicle can continue in use until repaired.

Freight Rover, BL's van-making subsidiary, has just introduced them as a "world first" on its Sherpa van range, but with annual production of just under 20,000 vehicles a year it is one of Europe's smallest light commercials producers.

Mitsubishi Steel Manufacturing is a big supplier of steel springs to the Japanese industry, which produced 4.39m commercial vehicles of all types last year. So far, the springs are suitable for vans and light trucks only but units for heavy trucks are in the process of development.

The joint venture is being undertaken by the UK group's GKN Sankey division. It will hold 60 per cent of the equity in a new company, Translite UK, with Mitsubishi holding the remaining 40 per cent. Initial share capital is Y1.2bn (£39.4m).

An agreement between the two companies was signed yesterday, although it is still subject to Japanese Government approvals.

It provides for Translite to carry out sales, design and testing activities at a Tokyo base on behalf of, and with, the Japanese vehicle producers. It will also undertake a feasibility study into requirements for local manufacturing capacity.

Initial demand is expected to be met from GKN Sankey's plant at Telford in the West Midlands of England, where capacity is 600,000 units a year.

While GKN has patented some aspects of the springs, which were developed by its GKN Technology division, it has not patented most of the production process.

Accountants oppose Bank of England plan

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE BANK of England is under increasing pressure to drop its controversial proposal to hold private meetings with bank auditors as part of its drive to strengthen its supervision of the UK banking system.

Yesterday, Britain's chartered accountants came out against the proposal. The main interested parties have now all placed themselves in opposition.

Earlier this month, UK banks refused to sign a form sent to them by the Bank that would have given the Bank's supervisory staff the authority to consult their auditors. Bankers were angered by the form because it anticipated the Government's forthcoming banking White Paper (policy statement) which is supposed to lay the basis for whatever changes are made to banking supervision.

In a joint memorandum to the Bank yesterday, the chartered accountants' institutes of England, Wales, Scotland and Ireland said that supervisors should not have the right to meet a bank's auditors unless the bank's management was present as well. They also argued against the Bank of England receiving, as a matter of course, the auditors' reports to management on internal control weaknesses.

Mr Colin Brown, chairman of the group which prepared the joint paper, said: "We consider that any proposals which breach an auditor's duty of confidentiality would seriously undermine the relationships which currently exist between auditors and their banking clients. Far from assisting the effective supervision of banks, this would make both the auditor's and the supervisor's jobs far more difficult."

Although UK bankers have already come out against the proposal, a formal response from the British Bankers Association is not due for another few days. Like the accountants they are expected to say that bank management must be told of – and be given the chance to attend – any meetings between the Bank and their auditors.

Despite the hostility, the Bank seems unlikely to drop its proposal that easily. A spokesman said yesterday that some banks had supported it. He also stressed that the Bank did not intend it to be a rule so much as a facility to be used in exceptional circumstances.

The Bank had not wished to anticipate the White Paper by sending out the form, he said. But if auditors were to become involved in the dialogue between the Bank and bank management, he asked why one should not start now.

Polls give Tories lead

BY PETER RIDDELL, POLITICAL EDITOR

THE CONSERVATIVE Party has moved into a narrow lead over Labour, according to two opinion polls taken since the end of the party conference season

A Market and Opinion Research International poll says in yesterday's London Standard that the Tories at 37 per cent (up 7 points over the past seven months) compare with 36 per cent for Labour (up 3 points) and 25 per cent for the Alliance (down 10 points).

An NOP survey in the Mail on Sunday put the Tories at 37 per cent against 34 per cent for Labour and 28 per cent for the Alliance.

Those figures showed that in recent weeks the Tories have gained at the expense of the Alliance

OBITUARY

Charles Douglas-Home: editor of The Times

MR CHARLES DOUGLAS-HOME, who died yesterday, was editor of The Times for little more than three years, but it was under his leadership that sales of the newspaper rose from under 300,000 to almost 500,000 copies a day. He was 48.

He took over the editorship of the Murdoch-owned newspaper at a time when The Times was split into various camps after the departure of Mr Harold Evans, its former editor, in 1982. "In little more than a year, he managed to pull the paper together, to get people going and to improve the sales. Had The Times stayed where it was when he took over, it would have died," a senior executive of the paper said.

Mr Douglas-Home, whose death came after a long illness, was the nephew of Lord Home, the former Conservative prime minister. He joined The Times as its defence correspondent in 1965.

"He was a Times man through and through," said one journalist who worked with him. "He had belief in The Times and in its role as an opinion former. He set out to maintain what he regarded as the paper's historic mission. But at the same time he wanted to widen its appeal.

"He himself was a man of eclectic tastes. If the paper started looking too academic or bookish, he would start asking why we did not have more about horses or the rise of a pop group."

Those who knew him emphasised his managerial ability to delegate and at the same time to keep a grip on a paper – via a squawk box at his hospital bedside during his illness. On a personal level, he drew admiration for his courage, his knack of making friends and for his sense of humour.

The Times met considerable criticism during his editorship for going downmarket – notably when its bingo-style, stock market game was introduced. But at the newspaper yesterday, such criticism was being set at little against the paper's rise in circulation and its financial turnround over the period of Mr Douglas-Home's editorship.

Douglas-Home: "Times man through and through"

Four years ago, Times Newspapers was losing about £25m a year – much of the loss directly attributable to The Times itself rather than to its much more successful sister paper, The Sunday Times. Today the group is making profits of about £7m a year. While The Times itself has not yet broken even, it is expected that it might well do so next year.

The new editor will have to be approved by a majority of The Times' six independent directors. No announcement is expected until next week.

UK NEWS

Massey plans expansion at Coventry plant

BY ANDREW FISHER

MASSEY-FERGUSON, the Canadian farm equipment group, plans to invest a further £80m at its Coventry tractor plant in the English Midlands over the next five years. But up to 500 jobs are likely to be shed there as a result of increasing automation.

The group is in the midst of a £22m capital spending programme aimed at increasing efficiency at its Banner Lane plant in Coventry, the largest tractor factory in the world.

Massey, which almost collapsed five years ago, employs around 4,800 people in Coventry. The manual workforce is about 3,000, half the peak level of 1977. Mr Scott Glover, director of UK supply, said future reductions would be achieved through voluntary redundancies and retirements.

Massey's investment programme was announced the day after J.I. Case, the U.S. farm equipment group, revealed plans for its U.K. operations that could mean spending £90m and the creation of 2,000 jobs in the next five years.

Mr Glover said most of Massey's spending at Coventry would go on computer controlled machine tools and flexible manufacturing systems. The aim was to reduce production costs by about 20 per cent over five years. The investment depended, however, on the company becoming efficient and profitable enough to generate the needed funds.

The present investment programme, most of which has been spent on changing the layout of the Banner Lane plant and transferring machining operations from a nearby factory at Baginton, had been funded through a reduction in stocks.

The Banner Lane plant produces around 60,000 tractors a year, of which 90 per cent are exported. The value of the exports is about £235m a year.

Mr Glover said Massey had to match its operations at Coventry to the lower sales volumes of recent years

Mr Denis Schwieger, director of marketing and planning, said that tractor demand in the West was likely to drop to around 583,000 units in the year 2000 from this year's 608,000, but there were good prospects in the developing world where Massey had a 30 per cent share.

Tour group price war spreads

Fierce price-cutting is forcing sharp divisions within the UK package tour industry. Arthur Sandles reports from Sorrento on growing fears for the survival of smaller operators as the bigger groups battle for market shares.

AS THE AVALANCHE of price-cuts in the package tour industry continues, serious alarm is being expressed about the financial consequences for the UK's 600 or more tour operating companies.

But the big groups claim they are heading for a profits boom, in spite of an almost hour-by-hour cut and counter-cut in an extraordinary Dutch auction as the Association of British Travel Agents (Abta) met for its annual convention in Sorrento, Italy.

Amid much talk of a "blood-letting" year, Mr Harry Goodman, chairman of the Intasun parent, International Leisure, said that as many as 100 tour companies would pull out of the business or fail in the coming year.

He insisted none the less that rivals who complained about the new aggression of Intasun and Thomson Holidays were "moaners and whingers."

At the convention yesterday Intasun launched its new discount programme under the Lancaster label, with a programme which includes, for blatant promotional purposes, two-week holidays in Spain for £39.

Thomson Holidays promised further cuts on its Skytours programme and introduced its own "standby" holidays at £25 for one week and £35 for two weeks in Spain.

As each announcement was made, more tour companies called hurried gatherings to produce badly-typed sheets of new "special offers," leaving the retail travel agents bemused and often angry that many of them still do not have brochures to sell the holidays that are being repriced.

The Rank Organisation not only cut its tour prices by 17 per cent but added bonus offers of £25 weekends for two in London and £25 weeks for six in Butlins holiday camps in the UK.

Horizon Holidays has promised that its discount label, Broadway, will soon produce a brochure with the lowest prices.

In a remarkable attack on Thomson, which started the present whirlpool of discounting, and the whole price-cutting campaign, Mr Eric Sutherland, the president of Abta, talked of a "brutal challenge to the trade."

Mr Sutherland told the 3,000 travel agents at the convention: "The cost is, at best, massively reduced profits across the trade as a whole, for both tour operators and travel agents. It is at worst massive blood-letting, and deficit trading to say the least."

Mr Goodman thought these comments were "nonsense." He argued: "This industry is growing up. Yes, there will be blood-letting, but why shouldn't there be blood-letting?"

He pointed to the success of the price war in producing bookings. Thomson has said it has already sold 450,000 holidays, worth £100m for next summer. Intasun says it has sold 315,000 holidays. Both companies' sales are seven times the level of the same time in 1984.

Mr Goodman, said this level of bookings "will make a dramatic difference to our profitability. If we do not have to discount, this will be our most profitable year ever."

Mr Goodman added that there was little prospect of discounting but he felt there was a good chance that the supply of holidays might run out by February. New brochures might be produced in the New Year, perhaps with higher prices, which would penalise those who had delayed their holiday bookings.

Thomson and Intasun point out that the supply of airline seats on the UK market has dropped by about 6 per cent for the coming year.

There would be a maximum of 20 per cent more holidays available in the coming year, including unsold holidays from last summer.

Mr Sutherland was not convinced by these arguments. "We must hope that companies will find a way to survive the deliberate threat to their existence which this battle of the giants is inflicting on others," he said.

Mr Sutherland was applauded when he declared: "I am certainly not seeking to featherbed the weak, but I am talking about the rights of your neighbour, the viability of an industry and ultimately the true interests of the public."

Mr Terry Grew, managing director of British Airways' holiday activities, felt that Thomson's move was "ridiculous". "They (Thomson) have taken a gigantic gamble, not just with their own business but with the whole industry."

Mr Grew said that the BA tour operations, which include Enterprise, Sovereign and Martin Rooks, and which is being groomed for privatisation, would not make a loss as a result of discounting "but profits will be smaller."

Mr Paul Brett, managing director of Thomson Holidays, said his tours would sell at a good profit, "but it does depend on volume, of course."

The Rank Travel programme includes some 250,000 holidays with prices considerably lower than in 1985 – some more than £100 cheaper. Admitting that Rank has not matched Thomson prices, Mr Paddy Lewis, managing director of Rank Travel, listed a series of benefits which Rank (OSL, Wings and Ellerman Sunflight), would receive.

These include free parking at airports (which could be worth more than £25 at the London airports of Gatwick or Heathrow) and opportunities to buy weekends in London at Rank Hotels or weeks at Butlins at heavily discounted prices. Rank is also promising no surcharges and no consolidations (major changes to holiday plans).

Inflation hopes rise as manufacturing cost pressures ease

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S MANUFACTURING companies are reporting continued increases in output and orders but the pace of output growth has slowed and business confidence has declined, the Confederation of British Industry (CBI) says, in its latest quarterly trends survey.

The outlook for inflation, however, has improved markedly with the survey indicating the weakest cost increases for industry since 1968.

The CBI says that the survey, along with the evidence from official statistics, suggests that growth in exports and investment is beginning to tail off while consumer spending remains relatively buoyant.

Export orders have been hit by the higher sterling exchange rate and by a slowdown in world trade, while after growing rapidly in the first half of this year capital spending is likely to moderate.

Despite the continuing growth in output, companies have continued to shed labour. But the rate of lay-offs has slackened suggesting that the decline in manufacturing employment is slowing. "Growth is continuing, but the pace is now steadying and in any case still leaves many companies with excess capacity."

Some 65 per cent of the respondents to the CBI survey replied that their level of optimism was unchanged from the previous survey in July, while 21 were more pessimistic and 15 per cent more optimistic.

The resulting balance (the proportion reporting a rise less the proportion reporting a fall) of minus 6 per cent, suggests a sharp fall in confidence since the surge in the immediate aftermath of this year's budget in March. Then the balance was 18 per cent. In July it fell to zero.

Small companies – with fewer than 200 employees – continue to be more optimistic than their larger rivals, with a balance of 3 per cent reporting an improved outlook in the latest survey. Within different sectors, the gloomiest companies are those in metal manufacture, while textile companies are more confident than average.

Output and orders: Companies are still reporting increased output, although over the past four months the growth rate appears to have slowed. The expected trend over the next four months, however, is still forecast to be upwards.

The survey shows that a balance of 10 per cent said their production had risen in the last four months, compared to the 18 per cent which reported an improvement in July.

Looking forward, a balance of 17 per cent expect higher output over the next four months, up from the 14 per cent predicting an increase at the time of the last survey. Of individual industries, footwear manufacturers are most optimistic and industrial chemical companies least confident.

Order books for most companies are still growing, with the balance of 11 per cent reporting an increase, slightly above the 10 per cent figure recorded in July.

Output and capacity: The percentage of companies working below capacity rose to 49 per cent in the October survey from 45 per cent in July, but the CBI says that the last figure was the lowest since 1973 and the present one still reflects an historically good level of capacity utilisation.

The main constraint on output continued to be a shortage of sales or orders, with 79 per cent of companies reporting that that was the main factor limiting their production compared with 73 per cent in July. The CBI said the latest figure appeared to reverse what had been an improving trend.

Stocks and investment: Companies' stocks of raw materials are reported as more or less stable over the last four months although at the time of the July survey they were expected to fall. Stocks of finished goods also remain stable but are expected to fall over coming months.

The survey indicates that investment in plant and machinery should continue to increase over the next year, with a balance of 4 per cent of companies predicting higher capital spending compared with a zero balance in July.

The CBI says that since balances over the last two years have been more than 10 per cent, the latest two figures taken together suggest a moderation of investment plans.

The key reasons for investment are to improve efficiency (75 per cent of companies) or for replacement (50 per cent). Uncertainty about demand is the most important factor limiting capital expenditure, reported by 45 per cent, after reaching a low point of 36 per cent in the April survey.

Employment: Companies are still reducing their labour forces but the pace of the decline in manufacturing employment appears to have slowed. The balance of minus 8 per cent reporting fewer jobs compared with minus 15 per cent in July.

The survey suggests that smaller and medium-sized companies are expanding their workforces but this

CBI quarterly survey of industrial trends

is being outweighed by the contraction in larger companies. Among different sectors the textiles and electrical and instrument engineering industries have been taking on workers, while the sharpest declines have been in food, drink and tobacco companies.

Costs and prices: The balance of companies reporting a rise in costs over the last four months fell to 19 per cent in July, the lowest level since 1960, while over the next four months a balance of 21 per cent are expecting cost increases, the lowest since 1964.

The effect has been a significant reduction of upward pressure on prices, the survey shows. A balance of 13 per cent of companies said they had raised prices over the last four months, while the balance of 17 per cent predicting increases over the next four months is the lowest since 1968.

Exports: Companies are now less optimistic on the prospect for exports, with a balance of minus 7 per cent expecting a decline compared with a 2 per cent balance predicting an improvement in July.

The survey suggests that export order increases have come to a halt, with the zero balance in October after seven previous surveys in which companies reported improved orders.

Companies replying to the survey, said that expected export orders were higher with a balance of 6 per cent predicting an improvement over the next four months.

Export prices were reported to have declined by a balance of minus 1 per cent of companies, a considerable reversal since the balance of 34 per cent reporting increases in the April survey.

CBI Quarterly Industrial Trends Survey Number 98, October 1985; annual subscription £100 to members, £160 to non-members. From CBI Economic Trends Department, Centre Point, New Oxford Street, London WC1A 1DU.

THE ARTS

Television/Christopher Dunkley

Small ads and the appeal of parts

It is not often that your seen-it-all television critic laughs so much at a programme that he rolls off the sofa and ends up on the floor in a foetal position, gasping for breath and writhing around desperately to keep his eye on the screen. It happened on Saturday, however, during London Weekend's *Audience With Billy Connolly*.

In one of those insanely logical sagas which he builds up and decorates, like an illuminated manuscript, Connolly started on the oddness of the "postal bargain" small-ads in the Saturday newspapers and came by stages to the subject of incontinence knickers. His description—enactment, rather—of the man in the dance hall, performing with all the confidence in the world thanks to his postal bargain, was what had me rolling on the floor.

Connolly is not a "pee, po, belly, bum, drawers" merchant like Benny Hill who appeals for laughter by pretending to the mischievousness of a naughty but knowing child. Connolly's enjoyment of the scatalogical is that of the true innocent; like Rabelais he has somehow preserved into adulthood the state of innocence in which children discover those bodily functions and attributes which adults describe as dirty. A toddler will experiment equally happily with eating coleslaw and coal dust because he is innocent of inhibition, and will discuss or exhibit the "clean" and "dirty" human functions with similarly naive lack of discrimination.

So it is with Connolly—or else he is bluffing us with brilliant success. Perhaps the truth is that, *like a number of people*, he genuinely finds bodily inhibitions quaint and slightly dotty, yet, recognising that most people feel these inhibitions strongly, joyfully capitalises on the slight difference between himself and his audience. Hence the impact of his expression of surprise at discovering his first grey pubic hair: shock at the daringness of the reference, but something like affection at the sharing of a common attribute. Connolly has many of Lenny Bruce's instincts for exploiting the supposedly unmentionable but none of Bruce's viciousness. It makes him an extraordinarily powerful comedian.

But enough of rubber knickers; this column was to have been devoted to fulfilling my promise three weeks ago to return to this season's documentary series, of which there seem to be an unprecedented number. Among the examples are BBC1's *Soldiers*, BBC2's *Triumph Of The West* and *Now The War Is Over*, and Channel 4's *Love Affair With Nature*. These appear to me to fall into two pairs: *Triumph Of The West* and *Love Affair With Nature* which are "thesis" series, and *Soldiers* and *Now The War Is Over* which are more like "part-works."

Biggest of the four is *Triumph Of The West* which reached the eighth of its 13 episodes on Monday. In terms of television's famous function of offering a "window on the world" it is proving pretty impressive. Thinking back over the episodes all sorts of telling moments come to mind: pictures of an astounding 30-mile aqueduct built in one of Spain's South American colonies by a monk who supposedly had no architectural training; an explanation of the connection between "burgher" and "bourgeois" and the implications of that connection; the invention of the Cyrillic alphabet; and the notion that a medieval cathedral represented an investment of money and effort as great as that in a modern space programme.

Roberts's style of presentation has all the advantages and disadvantages which stem (I take it) from a lifetime of lecturing: he is completely at ease and never difficult to understand (although the "o" disappears from "political" and "governments" becomes "gumments"). However, he is so relaxed that he sometimes gives the impression of being a little bored, and there is in his practised delivery a touch of that repetitive, sing-song rise and fall, like Alan Bennett parodying a vicar, which hints at over-familiarity with his material. There is little sign of the winning enthusiasm for the sharing of knowledge which made Bronowski so attractive in *The Ascent Of Man*.

The chief difficulty, however, is more to do with television than with Roberts. With seven days between episodes and so many other matters intervening, Roberts's thesis becomes diffuse and almost lost. Reading through the Press release for the series, where a couple of paragraphs are devoted to each episode, the strength and consistency of the message about the triumph of the West is striking. But on television, after a week of news, comedy, and snooker, we need more careful and frequent reminders of the central idea that Roberts seeks to convey.

Edwin Mullins provides just such reminders in his excellent series *A Love Affair With Nature*. Indeed his programmes give the impression of being more specifically targeted: with Roberts you sometimes get the feeling that he is running again through his 1976 book, "History of the World," and inserting occasional comments to sustain his disquisition on Western hegemony. With Mullins by *contrast* you always feel as though his central treatise comes first and each successive painting or building or garden has been chosen with great care to illustrate the next step in his argument. Furthermore, Mullins most certainly does have that zeal for sharing enthusiasms which characterised Bronowski.

The Roberts and Mullins series are from an established tradition. *Soldiers* on the other hand looks like something new. Initially it may seem much like the other series: a co-production, shot in various parts of the world, and exploring a big topic with the help of a personable presenter, this time Frederick Forsyth.

Better known as a writer of best-sellers, and even as a Reuters reporter, than as a television presenter, Forsyth nevertheless does the job with consummate ease. Either he is using a concealed ear-piece to cue his lines, or he is the world's most casually inconspicuous reader of idiot boards, or—as I suspect—he has an actor's ability to learn lines quickly. Anyway, he is remarkably good at the job. The biggest surprise is that he did not write the script.

But although Forsyth's presence at the front may give the impression of a conventional approach this series is really more like one of those magazine part-works ("Modern Warfare" or whatever) than a classic documentary. Like the part-work it looks bright and appealing. *From the striking* title sequence to the cleverly used extracts from Hollywood movies and the speed with which it cuts from one location to another, its driving force appears to be not the script but the concern with how attractive it looks and feels to a casual viewer.

This is not necessarily a bad thing. There are times when one would rather flick through a part-work, glancing at the pictures, than settle down to read a long, tightly reasoned analysis in a history book. Moreover while the seven-day hiatus between parts in a television series makes for difficulties in presenting a coherent thesis such as Roberts's television lends itself far better to the episodic approach of a part-work.

Now The War Is Over, which looks at Britain between 1945 and 1951, seems to be a halfway house between the didactic series such as *Triumph Of The West* and the part-work approach of *Soldiers*. There is, once again, the sheer attraction of looking at the pictures: the newsreels of queues during rationing, of arterial roads appearing, brand new and populated only by the occasional new "vintage" car, the gleaming blocks of flats which we more usually see on television nowadays being knocked down.

A seemingly superficial tendency towards the anecdotal is periodically turned into a strength when somebody seen 40 years ago in a photograph or cinema newsreel is interviewed *for the programme today and* comments directly on intervening events. The woman whose family we watched being moved into a post-war flat was sadly illuminating on how, even today, they would rather be in their old terraced house, for instance.

For me the series would have been improved by more direct voice-over commentary of the sort which pointed out, on the introduction of the National Health Service, that there was a fear of "total" national health putting doctors out of business. However, this sort of archival part-work, reminding the nation of its roots, is surely going to be a growth area in television as the medium ages and its own vaults start to be of more interest.

Infantrymen on exercise, from the BBC1 documentary series "Soldiers"

Bernard Hill and Julie Walters

Macbeth/Leicester Haymarket

Michael Coveney

After last season's *Dream*, the Leicester Haymarket has come up with another intriguing Shakespearean adventure, a second collaboration between the director Nancy Meckler and the People Show. Whatever its shortcomings, this *Macbeth* is a refreshing and vital assault on conventional Bardic presentation and, in Julie Walter's Lady Macbeth, it offers one of the most powerful readings of that role in recent years.

All Gothicism of blasted heaths and midnight hags is out. The witches are a trio of scavenging bag-ladies, first seen robbing corpses and later comparing evil trinkets stowed in a dilapidated pram. The timeless eeriness of the best People Shows takes on a new dimension here, with a spiralled staircase, representing the castles of both Duncan and Macbeth, fitted out with red swag and frosted windows. Mark Long as Porter, Murderer and Messenger is the resident genius, sombrely supervising lurid wassail under a chandelier of green broken bottles.

The design, which exudes a Heath Robinson air of pragmatic fantasy, also incorporates two large platform drawbridges suspended in mid-air and used throughout with ingenuity. They serve as battle ramps and as spatially isolating arenas when the Macbeths grow apart. Until the murder of Duncan (Martin Friend, benignly monkish), Bernard Hill presents a blank somnambulist pushed into crime by an ambitious wife. But her sexual grip on him is shattered by his imaginative response to the domestic dilemma; as Hill announces the murder of the grooms, Miss Walters's pallor turns visibly grey, she totters and faints. No ruse, that.

As Macbeth comes awake and rises to his prey along with night's other black agents, his wife goes to sleep. Hill swallows too many words at the moment, forgetful perhaps that he has left the television studio. Nor does he step up into any gear suggestive of panic or horror at the end. Banquo's ghost is unrepresented, remaining an hallucination like the dagger, but driving Macbeth to lie on the dinner table waving his legs in the air. Re-convening with the witches, he is hypnotised and delivers the dread prophecies himself (in the manner of Jonathan Pryce's possessed Hamlet) while flailing in an epileptic fit.

After these explosions, Hill subsides into his blank and leisurely former self, a ploy that robs the final act of excitement. No chance of dullness with Miss Walters, though, who demonstrates conclusively that to be a good comic actress is to be a good actress, full stop. Her descent from ravenous hostess to sleep-talking shroud is fully explained and brilliantly executed. Her shoulder-shrugging jauntiness is a spectral echo on "Fie, my love" and she dashes to the front on "Give me your hand" before retreating, broken and haggard, up her illuminated stairwell.

The women's wall is part of a sustained soundtrack of echoing sighs, desultory drumming, screeching owls and crying crickets. The melancholic synthesised bagpipe suggests a new ballad, or possibly a Royal Court play "The Amazing Grace of Eleanor Rigby" (hints of both tunes).

The staging pulls off some striking transitional effects: Joseph Marcell's laughing, incredulous Banquo is butchered in an animal net while the feast is calmly prepared behind him; and the butchery of Macduff's family (a childish bread roll fight turns sickeningly violent—a good touch) is invaded by delivery men rolling out a carpet and leather sofa for the notorious "English" scene.

This proves no less implausible than ever, but that is no fault of Jeremy Swift's bumptious, confident Malcolm or Nick Stringer's palpably decent Macduff, turning private grief to public revenge in a trice. In all, a notable classic revival which will be irresistible should Mr Hill rekindle the stage authority we remember from the halcyon Liverpool Everyman days of a decade ago.

Othello/Dominion

Clement Crisp

"Bring back *The Moor's Pavane*," murmured a friend as we left the Dominion Theatre last night after Northern Ballet Theatre's initial offering in their week's season. I am no admirer of Jose Limón's gloss on *Othello*, but it has the merit of brevity, and Robert de Warren's new version of the tale for his company, and Loris Tjeknavorian's commissioned score, if not long by the clock, seemed interminable at this first London showing.

To make *Othello* so worthily dull is, I suppose, an achievement of sorts, as it is to reduce Shakespeare's tragedy to a form of dumb show, for what we see in an acreage of gesture, the occasional set-piece of dancing, and some arid activity which must pass as narrative. The hero of the occasion is Peter Farmer, who has designed menacingly brooding front cloths, and scenery whose simplicity is potent in evoking locale and emotion. Nothing else in the evening—not Mr Tjeknavorian's grinding score nor Mr de Warren's dutiful patternings — does anything but drain the theatrical energy from the drama and the décor.

In a macabre way the staging seems as if it were aiming at the passionate drive of Yury Grigorovich's monumental spectacles for the Bolshoy. With a tenth of Moscow's forces, a hundredth part of the Russian's conviction, NBT's production looks for much of the time as if it were being "marked," that rehearsal practice where dancers sketch in the choreography, hint at wraiths of feeling, and save themselves for performance.

About these performances I note that there is rather more rodomontade than characterisation to Marcello Angelini's Moor and Andrea Costa's Iago; the Desdemona, Daniela Buson, has a light, clean style and a gentle pathos, even in the unlikely circumstance of being brought back to life for part of a final duet with her husband. Other roles offer manic beards and embarrassed arms as signs of acting, and the liveliest portrait comes from Augusto Paganini as Cassio, who seems to have established contact, in some mysterious fashion, with Shakespeare's play.

Sadler's Wells Royal Ballet winter season

The Sadler's Wells Royal Ballet returns to Rosebery Avenue on December 31 after its autumn tour for a two-week season, sponsored by Sainsbury's.

The fortnight will include the London premiere of ballets by Sadler's Wells soloists Susan Crow and Graham Lustig, and further performances of David Bintley's *Flowers of the Forest* and Michael Corder's *The Wand of Youth*.

The season opens with *Les Patineurs*, *Petrushka* and *Paquita*, followed by performances of *Coppelia*, and ending with another Bintley ballet *Chros*, with *Prodigal Son* and *Card Game*.

Catalani, Handel/Wexford

Max Loppert

Alfredo Catalani (1854-93), a significant figure in late 19th century Italian opera, has outside his native land never fully emerged from the shadow of his most important rival, Puccini. Recently, attempts have been made to throw new light on the subject. William Weaver described on this page, not long ago, a performance at Lucca (Catalani's home town) of the third opera *Dejanice*. And now Wexford, continuing its worthwhile policy of venturing into the lesser-known regions of Italian opera, has mounted a production of Catalani's fifth, last, and best-known stage work, *La Wally*.

Experience of it has been valuable—I'm glad to have seen and heard the work, and grateful that on its behalf Wexford managed to put together one of its characteristically enjoyable efforts, not ideal (particularly on the production side) but full of life and spirit, and imaginatively cast. After it, one understands Toscanini's enthusiasm (which even extended to the naming of his daughter after the Tyrolese heroine). Yet all the same, and for all the attractions of the evening, one felt by the end that the Puccinian shadow will continue to blight its fortunes. Conventional wisdom is still the correct one; Julian Budden's excellent Wexford programme note succinctly summarises it: "The truth is that Puccini knew how to grab the public in the way Catalani did not."

The best side of the score is its open-air vivacity (lots of open-fourth folk imitations, hunting-horn colours, bouncy choruses and dance rhythms winding their way through the story). The less good is what one might call the inheritance of Catalani's passionate Wagnerian enthusiasm—outpourings of emotional late-Romanticism, not veristic in manner but still somewhat overblown, that never quite balance the scale of Illica's rather clumsy libretto and characters, and are never properly pinned into place by the emergence of a genuinely memorable tune (even the work's most famous passage, Wally's "Ebben, ne andrò lontana," has really more of melodic manner than actual melody). *La Wally* conveys a curious not-quite feeling — not vulgar, not coarsely made, never fully or deeply involving.

The first performance was at La Scala; in the Theatre Royal, that pint-pot theatre, everything was rendered in inevitable close-up, and though under Albert Rosen's experienced guidance the playing of the RTE Symphony was held just this side of the pain threshold, it was easy to imagine how much more light and shade the music—and particularly the vocal lines—might acquire in a larger space. Josella Ligi, who since her unfinished early appearances on the Italian scene in the early 1970s has matured into a notable *spinto* soprano, with a particular lustre in low and middle registers, was kept going at full tilt almost the whole time; the rare delicacies of phrase and tone variation, when they came, were like manna.

Lawrence Bakst, a useful and competent last-minute replacement as the unsatisfactory tenor hero, and Ljubomir Videnov (fine voice, gawky stage presence) as the no less unsatisfactory baritone semi-villain, were equally unspared and unsparing; the relief provided by Sunny Joy Langton in the light-soprano travesty role (a young boy muddlingly named Walter) was considerable, and delightful. The tale calls for high Tyrolese mountains, a ravine for people to fall into, and a climactic avalanche. The semi-abstraction of Marie-Jeanne Lecca's sets was a necessary Wexford alternative, but their finish was crude, and the topography of the stage illogical. Within these enclosing limitations, Stefan Janski's production was conventional, unfussy, and energetic. Except when Miss Ligi was singing, the Italian language was much mauled.

★

The contrast with the third opera of the festival, *Ariodante*, was neat. It is a great opera, one of Handel's greatest, and it is of exact Theatre Royal dimensions; it was elegantly designed (by John Otto) and subtly produced (by Guus Mostart), but clumsily conducted and played, and gravely weakened by the occupant of its title part. Alan Curtis comes to Wexford with a considerable reputation as an Early-Opera Authenticist — which, on this occasion, was borne out neither by the orchestral execution, inauthentically wayward, nor the dramatic pacing, halting and discontinuous; there was much rhythmic lumbering, and an excess of irritating cuts.

The warm mezzo of Bernadette Greevy is now used with sublime disregard for such niceties as accurate intonation; she moves through Ariodante's tragic emotions like a personable, decently primed robot. Handelian vocal and theatrical values were better represented by Pamela Myers (Ginevra), Cynthia Clarey (Polinesso), and the absurdly young-looking Petteri Salomaa (the King) — but with real security of style only by the Argentinian tenor Raul Gimenez (Lurcanio). The audience cheered the performance loud and long: despite much, the splendour of the work had come through.

BASE LENDING RATES

ABN Bank	11½%	■ Hambros Bank	11½%
Allied Dunbar & Co	11½%	Heritable & Gen. Trust	11½%
Allied Irish Bank	11½%	■ Hill Samuel	§11½%
American Express Bk.	11½%	C. Hoare & Co	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Amro Bank	11½%	Johnson Matthey Bkrs.	11½%
Associates Cap. Corp.	12 %	Knowsley & Co Ltd	12 %
Banco de Bilbao	11½%	Lloyds Bank	11½%
Bank Hapoalim	11½%	Edward Manson & Co	12½%
BCCI	11½%	Meghraj & Sons Ltd	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd	11½%
Bank of Scotland	11½%	National Bk of Kuwait	11½%
Banque Belge Ltd	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd	12½%	Northern Bank Ltd	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd	12½%
Cayzer Ltd	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Choulartons**		Royal Trust Co Canada	11½%
Citibank NA	11½%	Standard Chartered	‡11½%
Citibank Savings	¶12½%	TCB	11½%
City Merchants Bank	11½%	Trustee Savings Bank	11½%
Clydesdale Bank	11½%	United Bank of Kuwait	11½%
C. E. Coates & Co Ltd	12 %	United Mizrahi Bank	11½%
Comm. Bk. N. East	11½%	Westpac Banking Corp.	11½%
Consolidated Credits	11½%	Whiteway Laidlaw	12 %
Continental Trust Ltd	11½%	Yorkshire Bank	11½%
Co-operative Bank	*11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd	12½%		
■ Robert Fleming & Co	11½%		
Robert Fraser & Ptrs	12½%		
Grindlays Bank	†11½%		
■ Guinness Mahon	11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.28%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8.00% gross.
‡ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand dep. 8%. Mortgage 13%.

Arts Guide Oct 25–31

Theatre

NETHERLANDS

Nijmegen, Schouwburg. Lamda Theatre from London with Thornton Wilder's Skin of our teeth. (Thur). (22 11 00).

WASHINGTON

The Good Person of Szechwan (Arena): Garland Wright directs Ralph Manheim's translation of the Brecht parable in this season opener for an outstanding repertory company. (488 3300).

CHICAGO

Government Inspector (Goodman): The Gogol wit directed against bureaucracy has enjoyed a sympathetic hearing in America the latest contribution being this season-opener directed by Frank Galati with Keith Reddin starring with I. M. Hobson. Ends Nov 10.(443 3810).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

TOKYO

The Music Man: another Broadway hit performed in Japanese. Hikuhinkan Theatre, near Ginza exit of Shinbashi Station (571 1003).

LONDON

Sweet Bird of Youth (Haymarket): Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

The Seagull (Queens): Last chance to catch this superb revival by Charles Sturridge in which Vanessa Redgrave and Jonathan Pryce provide the most exciting acting on the London stage. (734 1166).

Saleroom/Antony Thorncroft

Dada makes a comeback

The most comprehensive collection of Dada art in private hands will be dispersed in London on December 4 when Sotheby's auctions the works amassed by the Italian art historian and dealer Arturo Schwarz who was a friend of the two most celebrated Dada artists, Man Ray and Marcel Duchamp.

Dada was a short-lived movement, confined by historians to the years between 1917 and 1924. There is disagreement about the origins of its name—is it "Yes, yes" in Rumanian; "rocking horse" in French; or the German term for naivety? There is more agreement that Dada was a way of life, a code of behaviour which opposed the notions of "art for art's sake" and advocated a sense of idealism and the free spirit in an age of increasing materialism.

The full range of Dada art is on offer at the sale—photographs, collages, paintings, prints and a set of Duchamp's celebrated "Ready mades." An irony of the auction is that the highest prices will probably be paid for the 13 examples of "Ready mades" produced by Duchamp in 1964 to commemorate thei 50th anniversary of his original inventions. The originals are either lost or in museums but *his 1964 version* of "Bicycle Wheel" is on offer with a £75,000-£120,000 estimate; "Fresh widow," in effect a miniature French window, carries a £30,000-£45,000 forecast, while his most famous invention, "Fountain," a urinal placed on the floor rather than on a wall, should make the same sum.

There are two images of Duchamp's famous brainstorm of the Mona Lisa, with moustache and tiny beards—a 1913 photograph by Man Ray of the concept (estimate £6,000-£9,000), and a coloured reproduction, heightened with pencil and white gouache, which Duchamp produced in 1964 (estimate £12,000-£15,000). There are also collages by Scwitters, Malet, Berman and Citroen on offer.

★

With two weeks to go before its deadline the appeal by the Armouries at the Tower of London to keep the Littlecote civil war armour in the UK seems to be on course. It has raised more than £380,000 towards the £580,000 needed but some donors are believed to be waiting in the wings.

Nevertheless, Sotheby's has issued a catalogue for a sale on November 22 including the armour, but without estimates. It is legally bound to do so but the hope remains that the Littlecote armour, the finest surviving collection of Parliamentarian weapons and uniforms, will remain intact and in the UK

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday October 30 1985

Soviet Utopia postponed

UTOPIA IS postponed. That is official. The Soviet Communist Party says as much in its draft party programme, the first for 24 years, which admits the road to true communism is rockier than it earlier thought, and capitalism not the pushover it once hoped. In sum, the new programme shows the eastern superpower's ruling elite to be more realistic, and possibly therefore easier for the rest of the world to handle.

These Soviet party programmes come very roughly once a generation. They are meant to be milestones, at which the party takes stock of where it is on the road to communist perfection and gauges the distance ahead. Though weak on argument and strong on assertion, they offer valuable insights into what the Soviet party *thinks it is* and where it is going.

Early forecasts

The latest programme rids the party of an embarrassing inheritance. After calling in 1903 for the overthrow of the Tsars, and in 1919 for the establishment of socialism there followed—after a long silent interlude under Stalin—the third party programme in 1961 under Khrushchev which declared that the communist era would dawn in 20 years' time. By 1980, it forecast, the Soviet economy would have overhauled the U.S. and every Soviet citizen would be living rent-free in his or her own accommodation and working a six-hour day without any hard manual labour. Although the Soviet Union came to surpass the U.S. in certain crude categories such as basic steel output and possibly rockets, continued shortages in food, consumer goods and housing affecting the quality of Soviet life have made this Khrushchevian programme risible even to most Russians.

The 1985 programme avoids giving such hostages to fortune. It makes no risky comparisons with foreign countries and sets few specific targets, apart from expressing the hope that Soviet economic output will double and labour productivity will increase by 130-150 per cent by the end of the century.

Most interestingly, it is notably cautious in stating how far the party thinks it has to go to true communism, or what that goal really is. The advance to communism may be "inexorable," but the road to it is "uneven, complex and controversial."

This lowering of expectations bears the pragmatic hallmark of Mr Mikhail Gorbachev, who though he became general secretary of the party only in March — is clearly very much in charge. Also bearing the Gorbachev stamp is the economic portion of the party programme, which calls for better planning guidance from the centre coupled with more regional and factory level initiative, more pay incentives, a better (though not market-oriented) price system, and a modern service sector (though without private enterprise).

Nevertheless, one of the areas in which the Soviet party still seems unrealistic is in its desire to mould the new Socialist man. The new programme says greater efforts should be made to get rid of "bribery, pilfering, toadyism, fawning and windbaggery," as well as the new Gorbachevian emphasis on the campaign against drunkenness. These are ills that afflict all societies, but perhaps particularly a society in which there are still some chronic shortages, in which the state is the sole employer and dispenser of favours, and in which ruling politicians have no legal opposition to cut them down to size.

But for the rest of the world the key assurance, if it is to be believed, is that the Soviet Union is not interested in exporting revolution. If this means anything—and Afghanis, Kampucheans and others may dispute it—it is that the Soviet party feels it has enough on its plate at home without undertaking new foreign adventures. The 1980s so far have seen little Soviet expansionism. One factor in this is the Soviet party's view that capitalism, by which it means the West, is "still strong and dangerous" and, though historically doomed (of course), has bought time for itself "by constantly manoeuvring to adjust itself to the changing situation."

This may be a back-handed admission that the West has, for all its problems of unemployment and inflation, launched its economy into a new industrial era in which the Soviet Union is finding it hard to compete, and for all the divisions and arguments in Nato, has matched the Soviet military build-up. If so, then this is praise indeed from such a quarter.

Surplus coal for cheaper power

THE IDEA of burning surplus coal in under-used power stations to make cheaper electricity for large industrial consumers seems, on the face of it, attractive.

The National Coal Board claims that it could produce extra coal at a marginal cost of £33 per tonne. This is some 27 per cent less than it is now charging the Central Electricity Generating Board for the first tranche of supplies negotiated under the four-year agreement negotiated at the end of 1983.

The CEGB says that its surplus capacity would enable it to turn this coal into electricity at close to its present generating costs. It could therefore pass much of the lower cost on to consumers. Large industrial users, which have complained persistently about the high cost of their electricity, say that if the price went down they would use more electricity and keep open plants which might otherwise have closed.

These were the makings of a deal which could benefit all the parties to it, particularly large companies like ICI and Pilkington whose electricity costs could be brought more into line with those which bulk consumers in France and West Germany are said to enjoy. It is not surprising, therefore, that the scheme was launched in Whitehall with some enthusiasm last summer. Nor is it surprising that it is now moving into rough political waters, for it raises several uncomfortable questions. The most obvious is whether, under the camouflage of marginal costings, it is no more than a subsidy for big process industries paid for by the taxpayer.

In free market conditions this certainly would be the case. For the marginal price of extra supplies of British coal would be determined, not by its own costs, but by world competition. Any scheme to sell coal at below this price would pile loss upon loss for the coal board.

The coal industry may counter that it could benefit by capturing extra customers (through the agency of the generating board) which it would otherwise have lost. This, it will be said, could secure jobs in the mines and in the large process plants of companies like ICI and Pilkington.

But this can happen only if the Government agrees to override further the forces of free competition. It is the classic argument for any industrial subsidy; and the classic retort of the Thatcher government has been that there may well be better uses for the money.

Yet that does not dispose of the long-standing argument that large industrial users of electricity are being treated unfairly in comparison with their competitors on the Continent.

Price advantage

The evidence is mixed, but there does seem to be a consensus that special tariff deals, particularly in France, have given a significant price advantage to some of Britain's competitors. To the extent that this is proved there is a case for the CEGB to look at ways of making its tariff structure more flexible. In general, however, there is no clear case that UK electricity prices are higher than in the rest of the industrial world, and little evidence of unfair subsidies.

Countries like France, which do enjoy lower average electricity prices, are reaping the benefit of cheaper nuclear and hydro-electric generation compared with coal-fired power. But this is a structural advantage which should not be obscured by subsidies.

Probably the major unspoken argument behind this cheap power scheme is the pessimistic view that the coal board will fail in its plans to rationalise the industry. In that case the taxpayer would be paying willy-nilly for excessive coal production. If it cannot be sold at market prices it might as well be used for cheap power generation.

But that is an argument that the Government will find it hard to swallow: any scheme for cheap electricity must, in fairness to industry, last for at least five, and perhaps 10 years. The scheme might keep some pits open; but they would be the most uneconomic ones which would otherwise have been closed. So for a long period the Government would be committing itself to mining the most expensive coal and selling it at the cheapest price—not an efficient use of national resources.

THE SAUDI ECONOMY

The Kingdom feels the pinch

By Michael Field

Leighton Morris

IN THE last six weeks Saudi Arabia has pulled itself back from the edge of a major economic crisis, but the Kingdom still faces an unaccustomed period of difficulty as it adjusts to the impact of lower oil prices and curtailed production.

During the summer Saudi oil production fell to levels not seen since the early 1960s. By August it had revenue earning exports of not much more than 1m barrels a day, equivalent to about 15 per cent of its exports at the beginning of this decade.

So not surprisingly, business climate in the Kingdom as the long summer holidays came to an end was extremely pessimistic. The recession which had begun in mid-1983, when the effects of lower oil production began to feed through to the economy as a whole, was becoming deeper and the Government seemed unwilling to compete for higher production with the other members of the Organisation of Petroleum Exporting Countries (Opec). Foreign businessmen and the more hard-headed Saudis were beginning to talk openly of the Government being incapable of managing the economy.

Now conditions have improved. In the last six weeks the Government has pushed its oil shipments to over 3m b/d and it says that it intends to increase this level a little during the winter.

But even if it does this it will not be out of difficulties. Over the financial year as a whole it is still unlikely to receive more than half of the oil revenues it seemed to anticipate when it announced a $56bn budget in March.

The Government denies it, but the Kingdom has been running down its liquid financial reserves by $1bn—1.5bn a month. In March these stood at $60bn—70bn, already $30bn below the figure of early 1983.

At the same time most government construction projects have been postponed or have had their implementation stretched. Contract managers can now get construction bids of 20 riyals per man hour for field labour whereas in 1982 they had to pay over 40 riyals. Rents are down by 40 per cent on 1982 levels and share prices have fallen by up to 70 per cent.

There has been a huge outflow of expatriate workers, mostly Yemenis, Indians and Pakistanis, Egyptians and Filipinos. In the last year it is estimated that up to a million foreigners have gone home, out of a foreign population believed to have been 2m—2.5m in 1983. The Kingdom's indigenous population is below 7m.

Among major Saudi traders and contractors there has been a handful of bankruptcies and several reschedulings. Many smaller companies have ceased to trade, some of them announcing, as they have done so, that they are unable to repay their bank loans.

This in turn has led to a little acknowledged crisis in the banking community. The sector is composed of two wholly Saudi banks, National Commercial and Riyad, which between them have 65 per cent of the market, and nine joint Saudi-foreign banks. The foreign partners include Citibank and the British Bank of the Middle East.

In Saudi Arabia, banks normally will not sue their defaulting clients because they know that if they do so the Islamic courts will deduct all interest due or already received from the amount they are owed. The courts do not recognise mortgages on property.

On many loans the banks will not even regain their principal because their clients are bankrupt. Or, at least, since the collapse of the Saudi real estate market, they have not had assets in the Kingdom to cover their loans, and they have no intention of liquidating the investments they hold abroad.

The banks have not yet brought themselves to face the implications of this situation. A senior banker in Riyadh referred recently to his own and other banks' accounts as being "fictitious" because most of them were continuing to show profits.

When the banks do start to make serious provisions they face at least two years of losses and then a period in which they pay no dividends while they rebuild their reserves.

They all agree, however, that there is little chance of the Government changing the law on interest. For it to do so would be sacrilegious under Islamic law.

"Basically, the whole system here has feet of clay," says a director of one of the best managed Saudi trading houses. The lack of a proper commercial or banking law in the Kingdom, he added, posed a threat to all.

Faced with these problems during the summer the Government said nothing. Recently it has begun to admit its difficulties by the rather indirect means of allowing Saudi newspapers to report adverse foreign press comment—which it then denies or qualifies. This is regarded in the Kingdom as a sign of emerging realism, but it does not mean that the Government has a long term policy for dealing with its reduced fortunes—except that it says frequently that the recession should produce a stronger economy by making the private sector leaner and more efficient.

It runs its finances on what businessmen and a few of the most outspoken civil servants describe as a day to day basis. If it does not have the income it does not pay. Those affected range from foreign and domestic contractors to the owners of agricultural projects who are not receiving the subsidies due to them.

In this rather makeshift way the Government manages to control the expenditure which is written into its current and development budgets. Where its spending cannot be controlled is in unforeseen items, such as projects for Mecca and Medina, the two holy cities which the King has grown to love.

What is striking in Saudi Arabia is the difference one finds in people's reactions to the Kingdom's problems.

On the one hand is what might be described as the "modern Western view" which is held by most Western and Arab expatriates and by the more cynical or most modern-minded Saudis — in fact by all those who consciously or unconciously expect of Saudi Arabia the aspirations and behaviour of a modern Western society. These people are greatly alarmed by the Kingdom's performance.

On the other hand, there is the traditional Saudi view of events, held by the mass of businessmen, government officials and members of the royal family. These people are quite relaxed about the recession.

One explanation for the contrast of views is that Saudis are attuned to a culture which does not like to face problems, or which believes, in fact, that to state a problem is to lessen the chance of a solution. These people therefore see nothing alarming in the Government's refusal to admit the Kingdom's difficulties—something particularly exasperating to Westerners.

Another explanation may be that most Saudis, if they found their standards of living dramatically reduced, would care about it much less than Westerners in similar circumstances.

This is despite the fact that many new middle class families, with fortunes made from land given to them by princes, from contracting, trading or from minor corruption, do live extremely expensively. They employ a Filipino or Pakistani cook and servant and a chauffeur for the women of the household, who are not allowed to drive. The entire family may fly between Jeddah and Riyadh to see relations every weekend.

Certainly it does not seem that the recession holds a greatly increased political threat to Saudi family rule through creating a great tide of domestic discontent. The consensus in the Kingdom is that the long-established and growing dissatisfaction of the more intellectual elements of the bourgeoisie, who are themselves extremely rich, will not turn into open opposition unless Saudi Arabia suffers some external misfortune, such as being drawn into conflict with Israel.

The worst prospect the Kingdom faces in the near future—if oil revenues were to fall again—is not a social disaster but an untidy decline, a steady unravelling of part of the modern economy which has been constructed in the past decade.

As it happens, it seems more likely that oil receipts will soon increase, even though the Government's policy of raising production by giving indirect discounts carries with it the threat of a collapse in prices. In the long term, Saudi Arabia, with the biggest oil reserve in the world, may have an interest in seeing its crude priced at, say, $16 a barrel, compared with the present official average level of $27, but in the short term a fall in prices would offset much of the benefit of an increase in production.

In any event it seems likely that from now on the Kingdom will be taking a tougher, more self-interested line in Opec.

The reason why the King, who takes all decisions on all matters, has resolved to take this risk is not that the Ministry of Finance and Economy has given him figures which suggest that a production increase in a glutted market is the least undesirable in a range of unattractive options. Saudi government does not operate on such technocratic lines.

What has happened is that numbers of influential princes and important businessmen have complained to the King that conditions have become intolerably difficult. Other younger businessmen have talked to junior princes and the princes in turn have passed on what they have heard to their uncles; they prefer not to broach such delicate subjects with their fathers.

By this informal but well-tested osmotic process popular feeling reaches the King.

If, in response to a rise in oil revenues and government spending, the economy begins to gather pace again, it does seem likely, as the Government hopes, that part of the private sector will be much more efficient than it was in the early 1980s.

The elite private companies are investing in new manufacturing projects to take advantage of the enormous fall in construction and operating costs of the last two years and the disarray of their competitors. Part of the Olayan group is building several new plants to produce household products, such as snack foods, paper cups and packaged meats, which it has so far imported. At the same time E. A. Juffali & Bros is starting work on a factory to make components for desalination plants.

These companies—and many foreign companies that are long established in the Kingdom—argue that they are part of the Saudi economy whether they like it or not and that they have to think of what is going to earn them their incomes in five years' time.

Exactly what the Saudi economy will be like then is anyone's guess. The betting in the Kingdom leans towards an upturn in revenues next year—though there is a strong minority body of opinion which predicts an oil price war.

While higher revenues would stimulate the contracting business, which is the motor of the private sector economy, it is assumed that whatever happens the problems of the banks, which are living with the results of spending cuts in 1983-85, will continue to worsen for a year or so at least. As an export market the feeling is that Saudi Arabia will be no more than half the size that it was at its peak and that for the foreseeable future the golden days will not return.

Foreign businessmen and the more hard-headed Saudis were starting to talk of the government being incapable of managing the economy

Men and Matters

Sipra's novel adventure

Ash the Jonson Matthey Banke As the Johnson Matthey Bankers saga continues, few can have thought of turning to the pages of The Bookseller to learn something of the current activities of leading debtor, Mahmoud Sipra.

But it is in the book trade's journal that the pre-publication campaign is now under way for Sipra's first novel — Pawn to King Three.

Publishers Rainbow/Michael Joseph are clearly intent on adding to the "storm of media interest" already generated in the author by spending some £20,000 on publicity and arranging for him to tour the country.

No doubt Peter Copp, the court appointed liquidator of most of Sipra's companies will be pencilling the January 13 publication date in his diary. Having cancelled two meetings with Copp earlier this month, Spira left the UK rather suddenly on October 12, destination unknown.

Perhaps during his national tour, he might have a moment or two to spare to discuss the $70m he owes JMB and others.

Meanwhile, the Conservative Party's new deputy chairman seems unlikely to be too pleased by the publishers' description in their blurb of the Pawn's author as "the new Jeffrey Archer"—so called because of his ability to mingle "fact with fiction."

And down at the Lloyd's Avenue headquarters of JMB, the rescue squad is almost certainly not comforted by the news of Spira's novel venture. "Everey penny I get from the book is going in trust for my children," Sipra said recently.

It is not even sure whether anyone at the bank will get an invite to the "glittering launch at the author's prestigious Regent's Park residence." The bankers must be thinking wistfully that this could all have been theirs.

But for those not invited, there may be a next time. Pawn is a Dallas-style factional account of Sipra's own career (there is even a bank called MMB) but another novel is on the way—on fraud in the insurance business, apparently.

Works wonders

Norway's consumer ombudsman, Hans Petter Lundgaard, earlier this year summoned to his office a number of mail order companies to discuss the allegedly extravagant claims for some of the products they advertised.

One publisher sidetracked the issue by offering Lundgaard free space in his next catalogue, so that the ombudsman could test the public's gullibility with a fictitious advert.

Lundgaard accepted — and dreamed up a miracle product which he called "lurium 3000-X" ("fool'em 3000-X" in English) which, among other things, could cure baldness, improve car engine performance and help slimmers shed unwanted kilos.

Several hundred orders for the wonder-working figment of his imagination have already arrived at Lundgaard's office.

Quality man

It is four or five years now since the quality of British goods and services was a topic of passing interest in the public prints. But the interest—stirred by Japanese competition—seems to have been quietly sustained in some sectors, at least, of British business.

British institutional investors have just taken a 20 per cent stake in the Florida-based consultancy, Philip Crosby Associates, headed by the arch-apostle of quality management.

Philip Crosby, 58, was Harold Geneen's vice-president responsible for quality at ITT until 1979 when the success of a book he wrote about his ideas (Quality is Free) decided him to set up his own consultancy.

Crosby, in London this week where he has opened an office to handle the growing demand for his services from British companies, says that 10,000 managers a year now take his courses.

Crosby, in the meantime, has written three more books and stated to illustrate his ideas on film. The BBC has just won a U.S. award for a film about him shot on Muirfield golf course.

Crosby finds a good analogy from the game for what has been happening in much of industry.

"A group of friends, playing regularly together, gradually bend the rules. Short putts are conceded, lost balls not penalised . . . It makes for an agreeable game, and they congratulate themselves on scoring in the low 80s.

"Then one day they have to compete against others on a foreign course. The newcomers insist on playing strictly by the rules—and suddenly the group of frisnd is in trouble.

"That has bene the effect of Japanese quality management," says Crosby.

"You haven't confessed to anything have you?—I've already booked my 1986 holidays"

Blown up

Only three of the British merchant banks will continue to existing in traditional merchant banking form after the City deregulation—the Big Bang—next year.

I'm quoting Databank, the corporate strategy analyst, which published a report on British Merchant Banks today.

And the lucky survivors? The analysis forecasts that only Kleinwort Benson, Morgan Grenfell, and S. G. Warburg, "Will avoid the need to specialise their activities in order to compete."

The theme of the report is that the others are short of the necessary technology and organisation needed to continue to be competitive across the board.

The three named survivors are thought to be capable of dominating the market after the reverberations of the bang have died away because of "Their propensity to innovate and differentiate products while, at the same time, maintaining an excellent institutional image and management reputation."

On close inspection the report is not painting a sad picture of ex-merchant bankers walking the streets of London bare-footed because they lacked those kills.

Rather, Databank sees a bright future for most of them in concentrating upon specialist business areas.

Unmoved

The South African troubles are spawning some wry humour.

From Capetown I hear of the new definition of a patriot—"Someone who can't sell his house."

Observer

Five minutes to midnight...

IT WAS a bold and imaginative idea. Ford of Europe would merge with Fiat's car business and at one stroke revolutionise the European motor industry. Between them the two companies would have over 20 per cent of the European car market, well ahead of any rival, and the potential for economies of scale, savings in investment, pooling of research and technology would be enormous.

It was also an idea which caused consternation and dismay among the middle managers of both companies. They knew that, should the merger take place, two executives would be fighting for each position.

The plan — the brainchild of Bob Lutz, chairman of Ford of Europe — was not to be. Unresolvable differences in corporate culture and legal difficulties were among the reasons the two companies decided recently to call off the merger talks.

So where does that leave Bob Lutz? Some think Ford of Europe is worse off than it was a year ago. There are suggestions, for example, that the introduction of replacements for two important models, the Escort — Ford's best-selling car in Europe — and the Fiesta have been delayed because of the Fiat negotiations.

In 1984 Ford of Europe, once the jewel in its worldwide crown, made a marginal net profit of $147m, down from $281m the previous year and the peak $1bn achieved in the organisation's heyday only five years ago.

This reversal of its fortunes in Europe caused so much concern at Ford's headquarters in Dearborn, Michigan, that last summer Mr Lutz, previously Ford of Europe chairman from 1979 to 1982, was sent scurrying back to sort out the mess.

Soon he was handing out warnings that Ford simply had to do *something* about its excess capacity — either cutting horizontally and closing some capacity, or cutting vertically and working one shift. Sierra production lines at Ford's factory at Ghenk, Belgium, or even the Escort assembly facility at Halewood in Britain, appeared to be in question.

Mr Lutz says, however, that since last summer several factors have taken some pressure off the company. The Scorpio/Granada has had a better reception than Ford dared hope, while the problematic Sierra, which until recently had not lived up to expectations, has suddenly started to climb the sales charts in some Continental markets.

Ford has also raised prices and unit profit margins this year, gritting its teeth at the need to sacrifice some market share. Lutz says, to his surprise, the fall in market share was less than expected — from 13 to 12 per cent. At the same time European car markets have remained more buoyant than Ford predicted.

According to Lutz, because of higher volumes, a "richer mix" (more higher-priced cars in the total) and continuing cost-cutting, financially Ford of Europe "is doing considerably better than last year — the results are still not satisfactory, but they are much better."

Kenneth Gooding talks to Bob Lutz, (left), chairman of Ford of Europe, about the company's future after the breakdown of merger talks with Fiat

Some Ford insiders suggest that Lutz will not ease up the pressure until Ford of Europe once again tops $1bn pre-tax profit.

Lutz maintains that, in spite of the improvements, he cannot give a guarantee about plant closures. "In the final analysis we have to be cost competitive with Japanese imports and with the Japanese factories in Europe (such as Nissan's in the UK) which might have an even greater cost advantage."

He points out the Japanese can produce a car for about $1,000 less than the Europeans but, once freight and the 11 per cent European Community tariff have been paid, Ford's German plants can compete. "Because of the high value of sterling we are not quite there in Britain, though."

Lutz insists: "If we find we have major assembly facilities, regardless of the country involved, which for one reason or another—perhaps uneducated government action (giving longer holidays, a shorter working week) or union intransigence—cannot be competitive, we would not shy away from a decision to close them."

Neither would the group resist importing many more components or even built-up vehicles from outside Europe.

Whatever happens, Lutz will continue to attack costs. Among other things, this means a gradual reduction in the workforce. Since 1979, between 2,000 and 3,000 hourly-paid workers plus 800 to 1,200 white collar staff have gone every year, and this pace will continue. "We should be able to achieve this without any forced redundancies," he says. How long will the process go on? "Until we are competitive with the rest of the world."

Lutz, 52, is charismatic, tall, slim, grey-haired and energetic.

Born in Switzerland but long a U.S. citizen, he is fluent in several languages. He began his motor industry career in the U.S. with General Motors, moving to its Opel subsidiary in West Germany and then switching to BMW as vice-president, sales. He joined Ford of Germany as general manager in 1976 and made fast progress through the Ford of Europe hierarchy.

Of his own position after the breakdown of the Fiat negotiations, he says: "I don't have to prove anything. I am just here to run a business. It is pretty clear what has to be done and management's task is to get on with the job."

He admits that Ford of Europe's middle management executives could not have been expected to receive the news that there might be a merger with Fiat with any enthusiasm, particularly as an operationally blended Fiat-Ford would have resulted in a reduction in their ranks.

But he thinks the shock to them was one of the beneficial effects of the Fiat discussions. "When you set about fixing a company you need to grab the attention of middle management. The Fiat talks convinced them that it really was five minutes to midnight for Ford of Europe. So the talks provided a major catalyst for change. The middle managers want to prove they can do what is necessary on their own—there is much more intensive thinking about how we can put our house in order."

Lutz maintains that the Fiat talks were beneficial in other ways. "Fiat got into difficulties before Ford of Europe and started attacking some of the problems with their cost base, internal restructuring, product line rationalisations, headcount reductions, sooner than we did. In the detailed look the companies had of each other during the exploratory phase we both learned. There were things about how to do things better that we willingly shared."

Lutz says delays to Ford's Fiesta and Escort replacement programmes had nothing to do with the Fiat talks.

There is still the possibility that Fiat and Ford might share some future joint ventures. Lutz maintains that relations between the companies have not been soured but there will be a moratorium of at least a couple of months on discussions about joint projects.

In Europe, the trimming so far indicates Ford's policy of cutting back to its core business—vehicle assembly. Already it has cut out foundry operations, wheel manufacture, truck axle production and seems set to give up making spark plugs. Lutz says: "Our guiding principle is that we are not going to support anything which is inefficient by world standards. Quietly and calmly we will do what is necessary. If there is the chance to become more efficient by buying a component from an outside supplier (which after all is the Japanese approach) we will do just that."

He says his company is very proud of Ford of Europe and believes the European car industry can succeed.

"But there has to be a very strong realisation that the underlying, fundamental problem of lack of cost competitiveness versus the best in the world will not be solved without years of unrelenting, dedicated action and no let-up.

"We might get intervening years of reasonable profits but until we reach that point the job won't be done. It won't be done until we get our costs down very close to Japanese ex-factory costs."

MARKET EXCHANGE RATE DEVIATIONS FROM PRODUCTIVITY ADJUSTED PURCHASING POWER PARITIES

SPOT CROSS RATES AT CLOSE OF MARKET: October 25 1985*

	U.S.	UK	France	Germany	Italy	Japan	Belgium	Denmark	Netherlands	EMS
U.S.	—	+28	+38	+34	+56	+5	+42	+21	+33	+38
UK	−22	—	+6	+4	+21	−18	+10	−6	+4	+8
France	−26	−5	—	−1	+15	−18	+4	−11	−2	+2
Germany	−25	−4	+1	—	+17	−22	+6	−9	−1	+3
Italy	−36	−18	−13	−14	—	−33	−9	−22	−15	−11
Japan	−5	+22	+30	+28	+49	—	+35	+16	+27	+32
Belgium	−29	−9	−4	−5	+10	−26	—	−14	−6	−2
Denmark	−18	+6	+12	+10	+29	−14	+17	—	+10	+14
Netherlands	−25	−4	+2	+1	+17	−21	+6	−9	—	+4
EMS	−28	−7	−2	−3	+13	−24	+2	−12	−4	—
NATIONAL AVERAGES†										
Trade weighted										
Spot (date above)	+25	−7	−9	−9	−22	+9	−11	−9	−6	
1984	+34	−13	−15	−7	−21	+4	−12	−8	−5	
1975-84	−4	−6	+6	+13	−23	+10	+7	+17	+12	
Median										
Spot (date above)	+33	+4	−4	−2	−16	+27	−8	+10	−2	
1984	+41	−3	−7	+2	−14	+25	−8	+3	+1	
1975-84	−7	−11	−7	+8	−26	+3	+5	+11	+8	

* + = % overvaluation of row currency against column currency, — = corresponding undervaluation. † + = % overvaluation of column currency against others.

New light on the trend of real exchange rates

By Robin Marris and Steven Martin

WHEN a person says an exchange rate is "overshooting," he has a problem. If you go on a rifle range and miss wildly, you may never see where your bullet went, but at least you can see the target. Ever since the IMF was founded, experts have been discussing "fundamental equilibrium exchange rates" or FEERs, a term coined by the distinguished international economist, John Williamson.

In this article we present calculations which do not pretend to be actual FEERs but are numbers of a kind which most economists agree should indicate their trend, and which many economists also believe will actually tend to converge to their absolute level. These numbers are "purchasing power parities" or PPPs, adjusted to exclude the effects of non-traded goods. For one commodity, the PPP between two currencies is the exchange rate which equalises the price of the commodity in both countries. The corresponding national PPP is an average which does the same thing for the general price levels.

Every tourist knows that in different times and countries things in general seem cheap or dear. In jargon, they are experiencing deviations of market rates from PPPs. But in truth there seem to be only a limited number of reasons why such differences might persist. Tariffs and non-tariff barriers to trade are one example; major exportable natural resources, like oil, another.

Our calculations for nine leading currencies, however, show only one really strong apparent example of long-term deviation of market rate from adjusted PPP, namely that of Italy, whose market rate has been on average 25 per cent undervalued for the past decade: but we don't really believe this is a genuine case, rather that our statistical methods, based on the structure of advanced industrial countries, may go wrong when applied to a "dual economy" such as that of Italy.

How have the numbers been calculated? They are in several ways unique. In the first place, unlike other calculations relating to "real" exchange rates, they do not depend on an arbitrary base: the PPPs we use relate to international differences in *absolute* price levels at their indicated times. Secondly, our numbers are uniquely up to date: our computer programme can produce spot reports within minutes of receiving the current market rates. The calculation of national PPPs takes years: the master researchers are Professor Irving Kravis and colleagues at the University of Pennsylvania and Dr Hugo Krinsje-Locke of the EEC Statistical Office. More recently, the OECD Statistics Division, led by Peter Hill, has valuatl/ entered the fray. But these works can only be published with lags of at least several years.

We have made studies of the relationships between the movements of national retail price indices and general price trends, which enable us to build accurate current PPPs on the statistical foundations already established. Finally, we have dealt with the problem that the basic research workers, being primarily concerned to use PPPs for international comparisons of real income, use numbers which include all goods, traded and non-traded. But for the reasons already given, we want numbers with non-traded goods *excluded*. In practice these goods are mostly labour-intensive services, and the bias caused if they are not excluded is statistically correlated with a country's real wage level, which is in turn correlated with its productivity level. We have developed a new method of correcting for this bias, the results of which are called "productivity adjusted purchasing power parities" or PAPPPs together with national averages.

The table gives the deviations of 36 current market cross-rates from the corresponding PAPPPs together with national averages. As well as the trade weighted average, we also give the median, that is the number that divides the array of data in half. This is a useful statistic for reducing the effect on individual countries' averages of extreme deviations of highly-weighted currencies for example, because of the current extreme position of the dollar, the pound's trade-weighted average shows slight undervaluation. Using the median, we get the opposite conclusion.

What does the table tell us about the hot questions, like where will the dollar end up? At what rate should the UK enter the EMS? Where should the pound go generally? What, if anything, should happen to the yen?

Over 1975-84 the dollar was "well-behaved"—close to average parity. Today, on the median average it is 30 per cent over the odds generally, 35 per cent up on the D-Mark (if the dollar came down to world-wide parity, the $/DM rate would be 2.8, against current spot 2.78!), 40 per cent up on the whole EMS, but only slightly up on the yen: the latter currency, having been only slightly above parity during the great Japanese export boom, is now, on the *median* parity (that is damping the dollar), sharply up.

If Britain's economic recovery needs a market rate moderately below PAPPP (to help exports), we need to go down maybe 15 per cent on the median average, maybe 20 per cent against the E.M.S. The current sterling EMS rate (£ per 100 Ecu) is around 60. It probably ought to be nearer 70. The £/DM rate is currently about DM 2.65 to the pound: this probably ought to be about 2.3.

If the pound also fell as suggested, the £/$ rate would be around $1.60. If the pound failed to decline, we could be talking of $1.75!

Robin Marris is Professor of Economics at Birkbeck College, London University; Stephen Martin is Economist at the Woolwich Building Society.

Letters to the Editor

International debts

From Professor R. Thorn.

Sir,—Any permanent solution to the international debt crisis must meet three criteria: repayment terms must be related to the debtors' ability to repay (it must be a function of the current account surplus of the balance of payment or some closely related magnitude); it must be recognised that the absolute indebtedness of the debtors will have to increase if their economies are not to be disrupted with unpredictable, political consequences; and liquidity and regulatory problems of the commercial bank creditors must be resolved. Illiquid foreign loans of many large international banks exceed their capital, a potentially dangerous situation.

To meet the first criteria, the total debt service, interest plus amortisation of principal, should not exceed a specific maximum, eg, 80 per cent, of a debtor country's exports. If this sum is not sufficient to cover the interest service, the shortfall would be added to the principal outstanding.

Attempts to set fixed repayment standards based on economic forecasts, which may, or may not, be realised, only serve to create future problems and conflict between debtor and creditor. The linkage proposed simply recognises the reality of the situation. While it might be felt this weakens a country's incentive to meet its commitments, these incentives, at present, are better built into the conditionality of IMF credits to the debtor.

To enable, and, if necessary, compel, banks to allow some growth in gross indebtedness to permit the debtor countries to pursue their normal economic development and, at the same time, not to aggravate the illiquidity of the banks, that part of the debtor country's indebtedness could be funded through issuing consols (bonds without maturity which pay interest in perpetuity). For each additional increase in net credit that a creditor bank grants to a debtor country, it will be allowed to convert three times the sum of outstanding principal into a consol. This consol to bear the joint and several guarantees of the debtor, creditor and the IMF.

A limit on the total amount of new indebtedness could be linked to the growth in gross national product or the growth in exports. This conversion into consols would result in several benfits. It would lower the interest burden of the debtor since the consols would sell at an interest rate close to that of World Bank Bonds. This would partially reduce the burden of principal repayments making it easier to service the remainder of the debt and it would make the creditor banks more liquid. Consols, given their guarantees, should find a ready market. This alternative may prove sufficiently attractive that banks would voluntarily increase their credit within the limits prescribed. At some future time, a programme for the eventual retirement of consols would be devised.

There are, of course, many details that require treatment that cannot be dealt with here. The merit claimed for the above programme is that it is practical. Any programme that does not satisfy the three criteria will be short-lived at best. It is desirable that a more consistent and equitable treatment of debtor countries replace the current *ad hocery* and a longer-term solution be sought.

(Professor) Richard S. Thorn.
Economic Policy Institute,
University of Pittsburgh,
Pittsburgh, PA 15260, USA.

Bank backing for Mr Baker

From the Managing Director, IBCA Banking Analysis

Sir,—Your leader of October 28 is bewildering. You argue that the Baker plan is generous although quite why it is generous for a government official to declare that banks should lend another $20bn to a group of countries of poor credit standing is not clear. You then argue that if banks don't lend more they should be punished by having to set up provisions. This really won't do. Provisions are meant to be set up in accordance with management's best judgement of the credit risk in their portfolio. The idea that some outside authority should award provisions, like detentions at school—not enough to Peru, Sir Jeremy, take a 10 per cent provision there and 5 per cent for all the rest—is absurd. It is also illogical to suggest that a regulatory authority could require heavier provisions from the conservative banks who had decided that enough was enough.

The crisis is serious and the Baker plan is important. But its importance is surely that, at last, the U.S. administration is starting to acknowledge that lending to less developed countries is not just a matter to be left to the banks. By all normal prudent measures the major banks in the world have lent more than they should to these countries. This would indicate that future lending, if it is necessary, should be initiated by Governments rather than banks. Politicians have been inconsistent in the substance of their attacks upon the world's bankers, who at one moment have been castigated for their past imprudent lending and at the next cajoled to make more loans to these very same borrowers. *More attention* should now be paid to achieving a solution in the interest of everyone even if this does not result in the chastisement of banks.

Robin Monro-Davies,
2 Eldon Street, EC2.

Sierra Leone's hopes

From the Secretary-General, Sierra Leone Alliance Movement

Sir,—Peter Blackburn got it right in "Sierra Leone pins its hopes on diamonds" (October 24) when he wrote quoting bankers and traders according to whom the marketing methods of the state-controlled Precious Minerals Marketing Company (PMMC) "remain a mystery" and that "no foreign exchange has been surrendered for several months."

This will come as no surprise to us Sierra Leoneans who have seen many state-controlled institutions come and go with little or no accountability. The irony is that despite the convulsive economic desperations of recent years, Sierra Leone is now going to "pin its hopes" on yet another transparent and seemingly "unaccountable" body for its future development, as a source of urgently needed foreign exchange.

The tragedy, alas, is that the generation of foreign exchange is pursued purely in order to satisfy the selfish and outlandish demands of a minority urban elite and not as part of an overall strategy for national economic development. The vast majority of the population —the rural poor—are at best ignored.

As famine and the encroaching desert continue to devastate or threaten areas of our region, the neglect of the agricultural sector by our Government will prove to be suicidal. Sierra Leone has vast tracts of arable, fertile lands which, under proper management, would generate most, if not all, of the foreign exchange needed for development. The new avowed reliance on mining—a wasting asset, which might even lead to assimilation (hence the destruction) of these lands, will only spell doom for this and future generations of Sierra Leoneans.

Ambrose Ganda.
20c Jeffrey's Place, NW1.

A leap in the dark

From the Earl of Buchan

Sir,—I don't know if it is you or if it is me but as you printed the article (October 26) and didn't notice and I read it and did, I don't see why I shouldn't have a go at you!

How did you manage to survey the City, pre-leap and post-leap, without ever mentioning the single most important factor that kept the Stock Market "aloof," "parochial" and "with a declining share of international business?" I refer to the existence of a stultifying and efficiently policed exchange control system run by the Bank of England, that same organisation incidentally which produced the executive director, (a former Treasury official) who then became so anxious to promote a sponsorship role for the bank in relation to the financial services sector?

I lived and worked for many years with the dollar premium. I could quote you umpteen speeches and articles suggesting to the Government that it gets rid of it because of the damage it did. By the time it was done away with, the Euro-Dollar nag had bolted.

Buchan.
31-45 Gresham Street, EC2

Middlesbrough is informed

From Mr C. Wheat

Sir,—Colin Amery (October 28) states that a man from Middlesbrough would not have the faintest idea what was going on if he went into a Jencks designed house. He then goes on to say that in fact it is not complicated.

We in Middlesbrough are familiar with symbolic obsessiveness and post-modernism and it is a gross insult to architects and residents of Middlesbrough to utter such rubbish.

It is bad enough that there is an economic division between the north and south but to infer that there is an intellectual division also leaves me disgusted. I am surprised at Colin Amery and at the FT for the lack of judgment in allowing this statement to be printed.

Cyril Wheat,
2, Tasmania Square,
Marton, Middlesbrough,
Cleveland.

FINANCIAL TIMES
Wednesday October 30 1985

PARTY CHIEFS MEET IN BID TO RECONCILE DIFFERENCES

Italian crisis closer to solution

BY JAMES BUXTON IN ROME

SIG BETTINO CRAXI, the Italian Prime Minister-designate, was last night meeting his erstwhile coalition partners in a move which could produce a swift and painless end to the country's political crisis.

If the parties can reach agreement on a document to reconcile their differences, Sig Craxi will return to President Francesco Cossiga today to tell him that the Government's internal divisions have been patched up.

The head of state would then formally reject the Government's resignation – which he accepted only provisionally in the first place – and the Government would then go before parliament, present its document and ask for a vote of confidence, which it would expect to win.

The device of a president sending a government that has resigned before parliament is rarely used. It has emerged in the last few days, however, as the most likely solution to the crisis as it became clear that any other outcome would be very difficult and consuming to achieve.

Sig Craxi resigned on October 17 after the small Republican Party pulled out of the coalition in protest against the Government's decision to allow Abu Abbas, the Palestinian leader, to leave Italy. Abu Abbas came to Italy aboard the Egyptair airliner intercepted by jets of the U.S. Navy in the aftermath of the hijacking of the cruise ship Achille Lauro. The U.S., Israel and others allege that Abu Abbas organised the hijacking, in addition to presiding over its solution.

From the moment he was asked last week by Sig Cossiga to form a new government, Sig Craxi made it clear that he intended to do so on his own terms. He indicated that he did not intend to make concessions to Sig Giovanni Spadolini, Defence Minister and leader of the Republican Party, over his Middle East policy, which the Republicans say is too favourable to the Palestine Liberation Organisation.

Sig Craxi was said to be thinking in terms of forming a four-party government comprising Christian Democrats, his own Socialists, the Social Democrats and the Liberals, but excluding the Republicans. This would be an unstable affair, however, with a small parliamentary majority and could lead to an early general election in the spring.

With an urgent need for parliament to approve the 1986 budget and finance Bill by the end of the year, Sig Cossiga asked Sig Craxi at the weekend to try to solve the crisis as soon as possible. On Monday Sig Spadolini told Sig Craxi that he was prepared to try to reach a compromise in the document that leaders of the five parties were trying to hammer out last night.

Everything therefore depends on whether the five parties can agree on a form of words that will bridge their differences.

Channel group wins £4.2bn backing

By Andrew Taylor in London

THIRTY-ONE international banks have made provisional commitments to provide up to £4.2bn ($6bn) in development loans to Channel Tunnel Group, one of four groups bidding to build a fixed link between Britain and France.

Thirteen Japanese banks have said they will provide up to £1.64bn to Channel Tunnel Group which is proposing a twin-bore rail tunnel. Three West German banks have pledged to provide up to £400m.

The offers are conditional upon the Anglo-French consortium raising £1bn in equity and satisfying the terms of a preliminary information memorandum issued to potential investors.

British and French banks, including five founder shareholders of the consortium, National Westminster, Midland, Banque Nationale de Paris, Crédit Lyonnais and Banque Indosuez, are pledged to provide up to £1.33bn on the same terms.

Only one U.S. bank has so far made a provisional commitment, but the consortium expects this to increase if its plans are approved. An Arab bank as well as banks from Belgium, Italy, the Netherlands, Switzerland and Norway also support the scheme.

Channel Tunnel Group yesterday announced that the British arm of Mobil, the international oil group, had joined the list of founding shareholders. These have pledged to provide up to £50m of equity to cover the cost of preparatory work while the necessary legislation and treaty between the two countries are put in place.

Financial institutions in London have said they would be prepared in principle to underwrite the £1bn equity issue in full. The plan, however, is to sell the shares internationally in several stages.

Channel Tunnel is the first of the four schemes to announce details of its submission which must be lodged with both governments by tomorrow.

Trusts rule may aid opening of other EEC finance industries

BY QUENTIN PEEL IN BRUSSELS

NEW rules for unit trusts and other mutual funds, designed to allow them to be marketed freely throughout the EEC, should provide a big impetus for opening up other financial service industries, officials in Brussels believe.

The common regulations for unit trust-type operations were approved by EEC Finance Ministers on Monday, subject to a Danish reservation on one point of clarification. The decision amounts to the first specific move to liberalise capital movements in the Community for about 23 years.

The key point of principle in the regulations, which can be applied in future to other fields such as insurance, is that member states are recognising "home country supervision" of such funds as adequate to ensure the protection of investors.

In addition, the new directive governing undertakings for collective investment in transferable securities (Ucits), sets out minimum requirements for unit trust and gilts fund portfolios, which now have to be incorporated into national laws. Member states have until October 1989 to comply although some, such as the UK, will undoubtedly do so sooner.

The agreement will allow Ucits to be marketed throughout the Community, although a special delay will be allowed for Greece because of its relatively small capital market. France, Italy and Ireland also have continuing exchange controls which will still apply to the capital movements involved – although officials hope there may be some further relaxation before 1989.

The Danish problem is how to allow some mutual funds to invest a higher proportion of their portfolios in mortgage bonds, which account for a particularly large part of that country's capital market.

The regulation on Ucits would normally restrict funds to investing a maximum of 5 per cent of their portfolios in any one company, with a minimum of 90 per cent invested in quoted securities. There are limitations on how much they can invest in other unit trusts, but there is a relaxation for UK operations to allow them to borrow for the first time.

For West Germany, the directive will allow gilts funds to be marketed for the first time, with portfolios invested 100 per cent in government securities.

West German acceptance of the principle of supervision by other member states is regarded in Brussels as an important breakthrough. In the insurance sector in particular Bonn has resisted attempts to draft similar regulations.

"The argument over adequate protection of investors holds at least as good for somebody paying a life insurance premium as for an investor in unit trusts," one official said.

However, action to open up the insurance market is still delayed pending the outcome of a series of cases in the European Court, the hearings for which are being held this week. A final conclusion is not expected until the middle of 1986.

Cash-rich American Express to repurchase 4.5% of equity

BY PAUL TAYLOR IN NEW YORK

AMERICAN EXPRESS, the New York-based financial services group, plans to buy back up to 10m, or 4.5 per cent, of its common stock and add $100m to the capital of its Shearson Lehman Brothers investment banking subsidiary.

The group said it would fund the two moves using part of the $818m gross proceeds from the sale of a majority stake in its Fireman's Fund insurance unit through an initial public offering.

Based on American Express's current share price, the share buy-back alone could cost about $400m. But the financial services group, which recently reported a 22 per cent increase in nine-month net earnings to $537m, is flush with cash after the Fireman's Fund stake sale and its pending sale of its 50 per cent interest in Warner Amex Cable Communications to Warner Communications for $450m.

The share buy-back is generally seen on Wall Street as an indication by American Express that it intends to plough the proceeds of the asset sales back into its basic financial services businesses, rather than embark upon another acquisition spree.

American Express said the shares, which will be bought back in the open market, would be mainly used to fund employee benefits, dividend reinvestment plans and the future conversion of outstanding warrants. American Express has about 225m shares outstanding, together with 3.2m warrants entitling holders to buy two common shares for each warrant at $27.50 a share.

American Express said that about 50 per cent of the $100m addition to Shearson Lehman Brothers would be used "to further build the business activities of Shearson Lehman in the UK and Japan."

Talks wanted on Baker plan

Continued from Page 1

about accelerated disbursement of its loans and prospects for its guarantees and over the conditions attached to its lending.

The banks themselves also needed to resolve issues about the regional breakdown of their new lending.

As for ultimate decisions on new lending, he stressed that "the institute is not a place for the banks to give their answer... it is essentially an individual decision of each bank." The institute, however, is to form a series of working groups to discuss the issues and will, for example, on November 20 be holding discussions with the Paris Club, where governments discuss problems associated with government debts to developing countries.

London SE aims to avert split market

Continued from Page 1

and certain other debt instruments, and some overseas exchanges.

But the exchange is keen to develop a joint arrangement with the proposed International Securities Regulatory Organisation in an effort to keep securities trading in London as centralised as possible. So the possibility of the creation of another recognised exchange is under consideration which would allow the participation of both exchange members and those of the International Securities Regulatory Organisation.

Groups such as Merrill Lynch of the U.S. and Nomura Securities, Japan's largest securities company, are backing the move for the creation of a new body to regulate the international securities dealers.

UK fails to win pledge on Star Wars share

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN BRUSSELS

MR MICHAEL HESELTINE, the UK Defence Secretary, yesterday failed to persuade Mr Caspar Weinberger, the U.S. Secretary for Defence, that Britain should be guaranteed a share in the controversial U.S. Star Wars research programme.

British officials said, after an hour-long meeting held at the conclusion of yesterday's session of the Nuclear Planning Group in Brussels, that the two ministers had failed to make headway on two critical areas which have so far held up agreement on British participation in the $26bn Strategic Defence Initiative.

A joint working group of officials from the governments has been mandated to attempt to bridge the differences on the two issues and to produce an interim report by this morning when the two ministers are to meet again.

The main difficulty is Britain's demand – first made by Mr Heseltine last July with the approval of Mrs Margaret Thatcher, the Prime Minister – for a guaranteed $1.5bn share in the programme for British companies, research institutions and universities.

Britain also wants to avoid the application of the panoply of U.S. rules on the transfer of sensitive technology, which would be involved in any U.S. contracts awarded. London argues that British procedures are stringent enough.

The U.S. Administration appears adamant that it cannot guarantee Britain a specific monetary share in the programme.

U.S. spells out Soviet violations, Page 2

Tin talks continue

Continued from Page 1

payment from fellow traders except in bankers' drafts or certified cheques.

J. H. Rayner (Mincing Lane), a trader owned by S & W Berisford, has called a meeting of the 14 ITC creditors for tomorrow. Mr Harry Wiltshire, a director, said it made sense for firms facing the same problems to talk them over together. J. H. Rayner had a relatively small exposure to the ITC, he said.

The UK Government has been placed in an awkward position by the crisis. As an ITC consumer member and host to the emergency meeting it does not want to see the council collapse. On the other hand, it will be reluctant to back a lowering of the tin price which would hurt tin mines in Cornwall, employing some 1,500 people. Mr David Harris, Conservative MP for St Ives, and Mr David Penhaligon, Liberal MP for Truro, yesterday met Mr Paul Channon, the Trade Minister, to press the Government to support the ITC.

The U.S. is not an ITC member, but its Government has suspended sales of tin from the General Services Adminstration stockpile. These were, in any case, very small.

Bankers were also watching developments in the tin market closely yesterday.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	70	Dubrovnik	R	15	59	Malaga	S	23	73	Salzburg	C	2	36
Akrotiri	S	22	72	Faro	S	22	72	Malta	S	25	77	Seoul	C	21	70
Algiers	—	—	—	Florence	R	14	57	Manila	S	32	90	Singapore	F	27	81
Amsterdam	S	11	52	Frankfurt	S	7	45	Melbourne	C	29	84	Stockholm	C	4	39
Athens	S	28	82	Funchal	F	22	72	Milan	R	10	50	Strasbourg	C	2	36
Bahrain	S	29	84	Geneva	C	6	43	Moscow	C	-1	30	Sydney	S	22	72
Bangkok	S	33	91	Gibraltar	S	21	70	Munich	C	-1	30	Taipei	C	28	82
Barcelona	S	17	63	Guernsey	F	12	54	Nairobi	C	23	73	Tangier	—	—	—
Beirut	C	17	63	Helsinki	F	1	34	Naples	R	17	63	Tehran	—	—	—
Belgrade	C	3	37	H. Kong	C	27	81	New Delhi	S	28	82	Tel Aviv	S	24	75
Berlin	C	8	46	Innsbruck	S	4	39	New York	F	14	57	Tenerife	—	—	—
Biarritz	F	15	59	Inverness	S	10	50	Nice	F	17	63	Tokyo	R	13	55
Blackpool	C	10	50	Istanbul	S	15	59	Oporto	S	20	68	Toronto	C	8	46
Bordeaux	C	5	41	Jersey	F	11	52	Oslo	C	2	36	Tunis	S	24	75
Brussels	S	10	50	Jo'burg	F	25	77	Paris	C	4	39	Valencia	S	20	68
Budapest	C	4	39	Las Palmas	S	23	73	Prague	S	5	41	Venice	R	12	54
B. Aires	C	24	75	Lima	C	19	66	Reykjavik	R	6	43	Vienna	C	2	36
Cairo	C	25	77	Lisbon	S	20	68	Rio de J'o	C	27	81	Warsaw	C	5	41
Cape Town	S	17	63	Locarno	C	10	50	Rome	F	18	64	Zurich	C	1	34
Caracas	C	28	82	London	C	11	52								
Casablanca	—	—	—	Los Angeles	C	25	77								
Copenhagen	S	10	50	Luxembourg	S	7	45								
Corfu	S	13	55	Madrid	S	16	61								
Dublin	C	12	54	Majorca	F	18	64								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Safeway launches new form of bonds in Britain

By Peter Montagnon in London

SAFEWAY STORES, the U.S. supermarket group, launched a new line of bonds in the British market yesterday with an offer of £100m in "deep discount stepped-interest loan stock."

The borrowing through its British subsidiary, Safeway UK Holdings, is intended to finance expansion in Britain where Safeway has 121 outlets and intends to open a further 12 stores in the next year. The issue will give Safeway cash proceeds of about £40m.

Led by Baring Brothers, the issue carries several innovative features intended to provide an alternative to the sale and leaseback system the company has been using up to now to finance its supermarket property.

Interest on the 25-year bond starts at 3 per cent and rises at regular five-year intervals to end at 8.25 per cent for the final period. The paper itself will be sold at a deep discount of between 38 and 42 per cent of its nominal value with firm pricing due to be set today.

Baring Brothers said yesterday this was the first such bond to be offered to British investors. It carries a yield premium of 0.9 percentage points over the equivalent British government security, lower than for any other private-sector borrower in this market.

The rationale behind the unusual structure of the bonds is to provide Safeway with a cash-flow on its borrowing similar to that in a lease-back arrangement, where outgoings in the form of rent rise as time goes by. The bond will, however, provide Safeway with an added tax advantage as well as the benefits of property ownership.

Initial reception from investors was understood to be positive yesterday, despite the issue's complicated structure. Investors, too, can reap tax advantages from the deep discount and rising coupon structure because they can defer taxation on discounted portions of the bond until it matures.

The deep discount stepped coupon structure was likely to make the bond unusually volatile in secondary market trading, bankers said.

See Lex; Bonds, Page 17

E. F. Hutton to review internal audit controls

By Terry Dodsworth in New York

E. F. HUTTON, the Wall Street securities firm at the centre of a scandal over its cheque overdrafting practices, agreed yesterday to appoint a consultant to review its internal audit controls as part of the settlement of an investigation by the Securities and Exchange Commission.

At the same time, the group consented to a permanent injunction entered in a U.S. district court against technical violations of the 1934 Securities Act. In the court action, the company was enjoined from failing to maintain adequate internal controls and failing to comply with regulations governing disclosure.

In a separate development, the SEC, which acts as a watchdog for the U.S. securities industry, announced a settlement of proceedings against Hutton over alleged deficiencies in various mutual funds. The SEC claimed that Hutton failed to comply with procedures stated in its mutual fund prospectuses and that it had failed to compute accurately the net asset value of shares in several funds during a period from May to August of this year.

Although Hutton has not admitted the allegations, it has agreed to refund $1m to mutual fund customers as part of the settlement while accepting a prohibition against opening new brokerage offices until a consultant has completed a review of its investment company activities.

The deal struck with the SEC follows five months of controversy over the actions taken by the authorities against Hutton's cheque clearing practices. In May, the group pleaded guilty to charges of mail and wire fraud brought by the Justice Department, which claimed that some Hutton branch offices systematically gained the use of interest-free money from the banks by manipulating the cheque clearing system.

As part of the guilty plea, Hutton agreed to a $2m criminal fine and $750,000 in costs while making a $8m provision for banks that might have been injured by the practice.

None of its executives was charged, causing a political row over alleged leniency to white-collar criminals in the Justice Department, which had promised to crack down harder in the cause of law and order.

THE LEX COLUMN

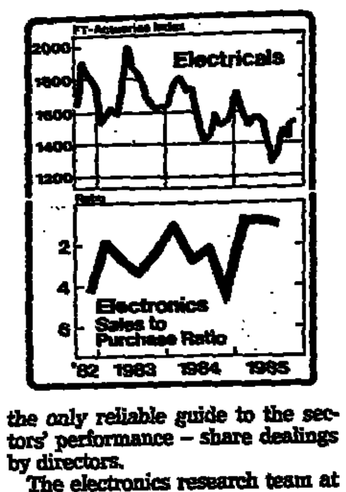
Higher marks for sparks

If the London market was looking for reassurance from Marks & Spencer, after some uncertain passages in the last year or two, it certainly got what it wanted yesterday. Pre-tax profits more than a fifth higher, at £137.7m in the half-year to September, were good enough to put 10 per cent on Marks' share price and lead the whole equity market into new ground. Both Marks and the market seem to be in good form.

It is probably fair to say that the City of London had already got over most of its doubts over the new management strategy being put in place at the company's Baker Street headquarters in London. Marks' share price has been on a firmer trend for the past few months, reflecting a sense that the looming threat of stagnation has now been headed off. Merchandise problems have been sorted out, to judge by a 14 per cent rise in UK clothing volume. And the longer-term implications of a much higher expenditure on store development, together with the growing charge-card operation, have been accepted as very positive. Marks is doing things which say clearly enough that it can lift its underlying growth of earnings substantially over the next few years, a proposition which would have found far fewer City takers this time last year.

How to finance the higher rate of earnings growth has been one of the more lingering questions around the share price. The growth in charge-card debtors is probably a red herring; Marks has set out with the intention of matching a good-quality short-term asset with an equivalent short-term liability to some evidently willing banks. But the store spending programme is bound to absorb cash as soon as it gets properly into its stride.

The one real joker in yesterday's figures was an increase in interest received over six months when most people were expecting the cash outflow to have begun. That is one surprise that Marks seems unlikely to repeat for years to come.



Electric deals

The City's conspicuous failure to anticipate the collapse of the electric and electronic sectors has been one of the great mysteries of 1985. But it now seems that the explanation was very simple: analysts were studying the wrong data. Instead of wasting valuable time on such complicated and unpredictable variables as profits and dividends, they should have been concentrating on the only reliable guide to the sectors' performance – share dealings by directors.

The electronics research team at Robert Fleming has recently completed a survey of all dealings by directors in 31 representative companies during the three years to September 1985. That directors should have been net sellers throughout the period is not entirely surprising. The list includes USM companies, in which owner-directors are natural sellers, and the statistics must also be distorted by the sale of exercised options.

Plotted quarter by quarter, however, there does appear to be some correlation between the performance of the indices and boardroom selling. Sales have recently come into balance with purchases which Fleming suggests should be taken as a bullish signal. Unfortunately, there is not much evidence that the ratio is reliable as a leading indicator. If anything, directors seem to follow the stock market trend. So either directors of electronics companies are unusually honest or they learn about developments in their industry even after the stock market. Neither of these explanations, it must be admitted, sounds entirely convincing.

Safeway's bond

Rarely do both parties to a financial deal win tax breaks. But the Inland Revenue's munificent treatment of deep discount corporate bonds has opened up a new market in which both the borrower and the investor gain at the expense of the taxman.

Yesterday, Baring Brothers launched a bond for Safeway UK. The £40m that investors put up now will be spent on new supermarkets and will be repaid as £100m in 2011. The bond is designed to produce for Safeway the same cash inflows and outflows as it would have received and paid on a traditional sale and leaseback; that is, it will be paid a lump sum initially, and its interest payments will rise steadily throughout the life of the bond as rents would under a rent review. But Safeway has the advantage of knowing in advance what its "rent" payments will be and of setting off a higher payment against tax because part of the principal is tax-deductible each year as well as the interest. And like other low-coupon stocks, investors do not have to pay income tax payments on the rise in the value of the bond until it is sold or redeemed.

Quite apart from the tax breaks, the bond provides a good fit between the payment profile and the anticipated growth in revenues from Safeway's shops. And investors have the gearing implicit in putting less money up front than they will receive at the end. Doubtless the formula will be repeated until one side – presumably the investment community – has had enough.

Fixed links

By tomorrow evening the governments of Britain and France will be in receipt of enough submissions to build a paper link between Calais and Dover. The documentation being presented by each of the fixed-link contenders is quite awesome but, in City of London eyes at least, the field has already narrowed to two. There is not much doubt that, of those, the Channel Tunnel Group is slightly preferred to the Euroroute scheme.

CTG's most obvious advantage is that it is duller and cheaper than its rival. Institutions applaud technical and financial innovation only so long as there are not too many noughts at the end of the cheque. Euroroute has also failed to convince potential participants that the high costs will be mirrored in proportionately higher revenues. To judge from the documents circulated by the two camps, there is not much to choose between the two schemes in revenue terms during the early years of the project.

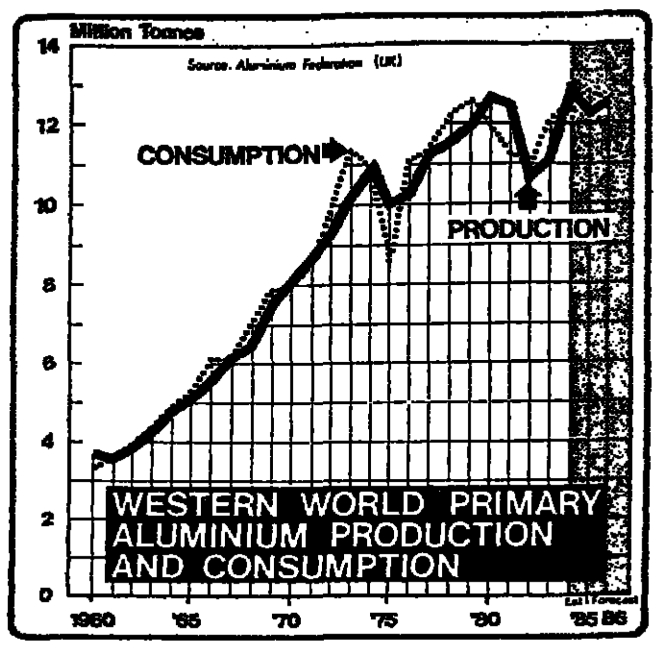
Euroroute is providing more details of its plans today, but it evidently has some catching up to do. CTG has extracted from both the institutions and the banks something as close to a commitment as can be expected at this stage. It is also well advanced with proposals to sell equity in foreign markets. If Euroroute is to win the mandate, it will need to lean very hard on government in both London and Paris.

SECTION III
FINANCIAL TIMES SURVEY

ALUMINIUM

Producers and fabricators continue to suffer from the cripplingly low market price for aluminium. So far, the markets remain unimpressed by efforts to bring supply back into line with demand by reducing output and so more smelter shutdowns can be expected.

New uses for aluminium: this windsurfer spreader bar won first prize for Bill Brown of Makefast Ltd in the Alexal design competition



Unrest at the milestone

BY IAN RODGER

THE WORLD aluminium industry is preparing to celebrate a significant milestone next year, the 100th anniversary of the development of the Hall-Heroult electrolysis process which made possible the economical high volume production of this light, versatile metal.

But the industry approaches this milestone in a state of considerable unrest, as major structural changes, set in motion in the 1970s, continue to work their way through.

The key problem for the aluminium industry in the past few years has been the slowdown in consumption growth rates, from the glorious 7 per cent annual increases of the 1960s and early 1970s to something more like 2 to 3 per cent on average. That in itself might have been manageable if other factors affecting the industry had remained fairly stable.

But the industry has also had to cope with the sharply rising price of electricity, one of its main production inputs, and with volatile exchange rates.

Aluminium is one of the most international of basic manufacturing industries. A few large, integrated companies operate bauxite mines, alumina refineries, aluminium smelters and fabricating plants in many countries.

There is also a growing number of independent producers, but wherever they are, international trade in both raw materials and output tend to be important.

The large movements in energy costs and exchange rates have caused havoc in the relative competitive strengths of various producers and countries. For example, the Japanese have virtually abandoned aluminium smelting in the past four years, cutting annual output from more than 1m tonnes a year to less than 300,000 tonnes.

Four years ago, a large, modern smelter at Invergordon in Scotland had to close because the high value of sterling and high electricity costs made it uncompetitive. Today, with sterling at a much lower level, another modern Scottish smelter at Fort William is one of the most competitive in the world.

More competition

As if these problems were not enough, the industry has also had to cope with increasing competition from competitive materials, such as plastics, in some of its traditional markets. It is hardly surprising that customers who have seen the upheavals in the aluminium industry and the increasing volatility of aluminium prices have been tempted to move to other materials.

Aluminium has lost ground in the home improvement market, for example, and has failed to penetrate the automotive industry as quickly as producers hoped in the 1970s.

The big integrated aluminium producers, who once dictated the health of the industry, are the principal victims of the upheavals.

On the other hand, their fabrication operations have difficulty obtaining reasonable prices, because customers expect to pay rates that are related to those quoted on the terminal markets, such as the London Metal Exchange, for primary metal.

The return on equity of Aluminum Co of America, the largest U.S. producer, has not exceeded 10 per cent since 1980, and the company has just reported slightly lower third quarter net earnings of $57.1m and forecast little improvement for the rest of the year.

Mr David Culver, president of Alcan Aluminium of Canada, the world's largest integrated producer, told financial analysts in Montreal earlier this month that, in his view, demand for aluminium would grow at only 2 to 3 per cent for the foreseeable future.

That meant the company, which earlier this year made major cutbacks in its headquarters staff, would have to diversify into high technology industries and concentrate on finished products if it wanted to establish a solid growth pattern again.

In pursuit of this new strategy, Alcan has just spent $11.5m on a significant minority interest in Spar Aerospace, a Canadian high technology company best known for its boom grappling arm used on the U.S. space shuttles.

Other integrated producers had already embarked on similar strategies. Alcoa, for example, has been diversifying into sophisticated automotive components and computer disc manufacture. Alusuisse of Switzerland has also gone into automotive components and chemicals.

These and other companies are also making major efforts to solve the problems that have been hurting aluminium's competitive position in some markets. To some extent, the industry has been the victim of its own complacency, satisfied with its existing markets—packaging, aerospace and engineering—and confident they would keep on growing.

Now, most sectors of the industry are embarking on major promotion campaigns, aimed at educating engineers and engineering students on the merits of the metal.

However, the industry's biggest marketing problem is the volatility of the aluminium price. Whether the customer is a maker of beer cans or of flexible packaging, he does not like using a raw material whose price can gyrate wildly over a short period of time.

Aluminium prices slumped to under $1,000 a tonne in late 1982, but then soared to more than $1,600 a tonne a year later. They dropped again to about $1,000 a tonne in 1984 and have stayed roughly in the $1,000-$1,100 range ever since.

Some people argue that the price has been reasonably stable in the past two years, and that this is an indication that the volatility may be easing. But the current stability is at a level at which few, if any, producers can make a satisfactory return on their primary smelting operations, so it is only a matter of time and more restructuring before prices start to move again.

Nevertheless, producers hope that one effect of the big restructuring achieved already will be to prevent the price rise, when it comes, from being as high—and shortlived—as it was two years ago. There is some evidence to support them. The smelters which have survived the last five years are, in general, those which have the lowest operating costs.

In some cases, such as Alcan's big smelter complex in northern Quebec, the costs were already low because of the availability of cheap hydroelectric power. But there and elsewhere, producers have made huge efforts in the past few years to cut all their costs.

In a few cases, such as the British Alcan smelter at Fort William in Scotland referred to earlier, a major investment programme in new, automated production lines has brought with it a 30 per cent improvement in energy efficiency, permitting increased output from the same amount of power.

For its part, Pechiney, the French producer, has undoubtedly given its customers an increased feeling of security by recently negotiating a 10-year FFr 2bn power deal with Electricité de France. This follows a 25-year FFr 2bn deal it made with EDF in 1983. The two cover more than half of Pechiney's basic electricity needs.

Low cost capacity

The cumulative effect of these and other improvements is that the industry as a whole has more low cost capacity than ever. Commodities Research Unit, a London consulting group, estimates that the combination of lower alumina prices, lower power prices and other factors has caused average smelter operating costs in the Western world to fall by 6 to 10 per cent in the past year.

That means that probably a considerable amount of the existing idle capacity could be operated economically with only modest increases in prices. If that capacity did return to production, it would moderate the price push.

Analysts expect western world output to be about 11.9m tonnes this year, nearly 5 per cent lower than last year, while consumption should rise marginally, perhaps by 1 per cent.

So far, the price has stubbornly refused to move. The big surprise in the past year or so has been the failure of stocks to decline as rapidly as the rate of smelter closures would have suggested. Total western world inventories, as published by the International Primary Aluminium Institute in London, were 4.1m tonnes in August 1985, only 3 per cent lower than a year earlier.

Analysts still believe the closures will have an impact, but this has been delayed because the actual closures often happen some months after an announcement is made. Also, consumers have learned to live with much lower levels of stock than in the past.

Another hopeful sign was the recent meeting in Buenos Aires of a number of producers from developing countries. Until now, almost all of the production cutbacks have come from smelters in the industrialised countries.

Elsewhere, producers are often controlled by governments that are less sensitive to market prices than to the need to maintain employment and earn foreign exchange. Apparently, the price slump has begun hurting them as well. Another meeting is to be held in January when they might agree on production cuts.

However, it is all a bit uncertain, and so the outlook for the industry remains difficult to predict. But it would be wrong just to contemplate the industry's problems at this time. Next year marks the 100th anniversary of the year in which a Frenchman, Paul Heroult, and an American, Charles Martin Hall, working independently, developed the electrolytic process for smelting aluminium.

The Hall-Heroult process, as it is now known, enabled aluminium to be produced at prices customers were willing to pay.

Contents

ALUMINIUM 2

On this and the following two pages the survey examines the performances and prospects of some of the principal countries involved in production

Fall in U.S. dollar aids industry

Canada

ROBERT GIBBENS

THE BEST news for the Canadian aluminium industry has been the 10 per cent slide in the external value of the U.S. dollar this year and last month's Big Five commitment to a controlled descent over the next year.

Canada has well over 1m tonnes of primary aluminium capacity, nearly all in Quebec, and has drawn the Paris-based Pechiney group away from the U.S. to put its chips on a C$1bn smelter near Montreal due to open next spring.

The other producers are Alcan Aluminium with total primary capacity of 820,000 tonnes in Quebec and a further 270,000 tonnes in Northern British Columbia, and Canadian Reynolds Metals, which recently completed two more potlines at Baie Comeau, Quebec, bringing capacity to 275,000 tonnes.

Canada's ace card is cheap power, and Quebec equals Manitoba with the lowest rates in the country. The low power rates more than compensate for the distances involved hauling in bauxite and alumina and exporting ingot, since the domestic market consumes only a small fraction of ingot produced.

Cheap power brought Pechiney and Amax into Quebec and late in 1983 this major construction project looked well timed. However, since then North American ingot prices dropped from a post-recession high of around U.S. 75 cents, a level at which Alcan and the other producers can show good profitability, to below U.S. 45 cents, before recovering slightly to the 46 to 48 cents now.

Demand in North America has not been the real problem, but the persistent high level of the U.S. dollar—aluminium ingot as a world commodity sells in U.S. dollars, as do the raw materials. Imports have reached about 20 per cent of the enormous U.S. market because of the high dollar, and have kept down North American prices to an extent that has made Aluminum Company of America, the leader, threaten to reduce its exposure in the primary end.

David Culver, president of Alcan Aluminium, believes the commitment to a lower U.S. dollar is serious and for the long term. Though the corner has not been turned yet, a better balance is emerging between North American and overseas prices with some easing in pressures on profitability—especially if U.S. producers follow through on promises to shut down nearly 100,000 tonnes more smelting capacity.

The industry has to live with demand growth of between 2 and 3 per cent yearly, compared with 4 to 5 per cent in the 1970s, and go on searching for a major product breakthrough on the lines of the aluminium can 15 years ago, he says.

It must also watch that plastics do not begin to take over a major part of the aluminium beverage can market, while striving to get aluminium used in structural parts of cars as well as in radiators, perfecting lithium-aluminium alloys for aircraft in competition with composites, and developing other higher-technology uses for the metal.

Alcan itself is shifting its North American research effort away from process improvements to the product area. It has developed its own smelter techniques to improve productivity, and would have installed these at its Laterriere smelter north of Quebec City — but this C$1bn project has been delayed indefinitely because of Alcan's 60-40 debt equity ratio and low level of profits.

Any improvement that may take place in the fourth quarter of 1985 cannot do much now to improve Alcan's full-year results. The company has made a U.S.$68m charge to cover its most severe restructuring in North America since World War II. Management has been severely pruned and more than 1,000 people have left, either through early retirements or layoffs with compensation. In 1985, the company expects to show cost savings of about U.S.$40m.

The European subsidiaries have already been through the wringer, while Alcan has moved out of Mexico and Columbia and is looking for further disposals. Ideally it would reduce its commitments in alumina, where, because of industry over-expansion in the 1970s and early 1980s, plants are working at between 50 and 60 per cent of capacity and in some cases cannot cover their debt.

Alcan's strategy is to hold back primary expansion, use its low-cost smelter base in Canada to the best advantage, maintain its most stable foreign operations, make its raw materials base more profitable, search out new product areas, develop its expanded fabricating base in the U.S., and integrate forward where possible into high-technology areas where aluminum is a key metal.

Both Alcan and Reynolds have sizeable fabricating operations in Canada, fed with domestically produced ingot, but most of Reynolds' production at Baie Comeau goes to the parent company's U.S. fabricating plants.

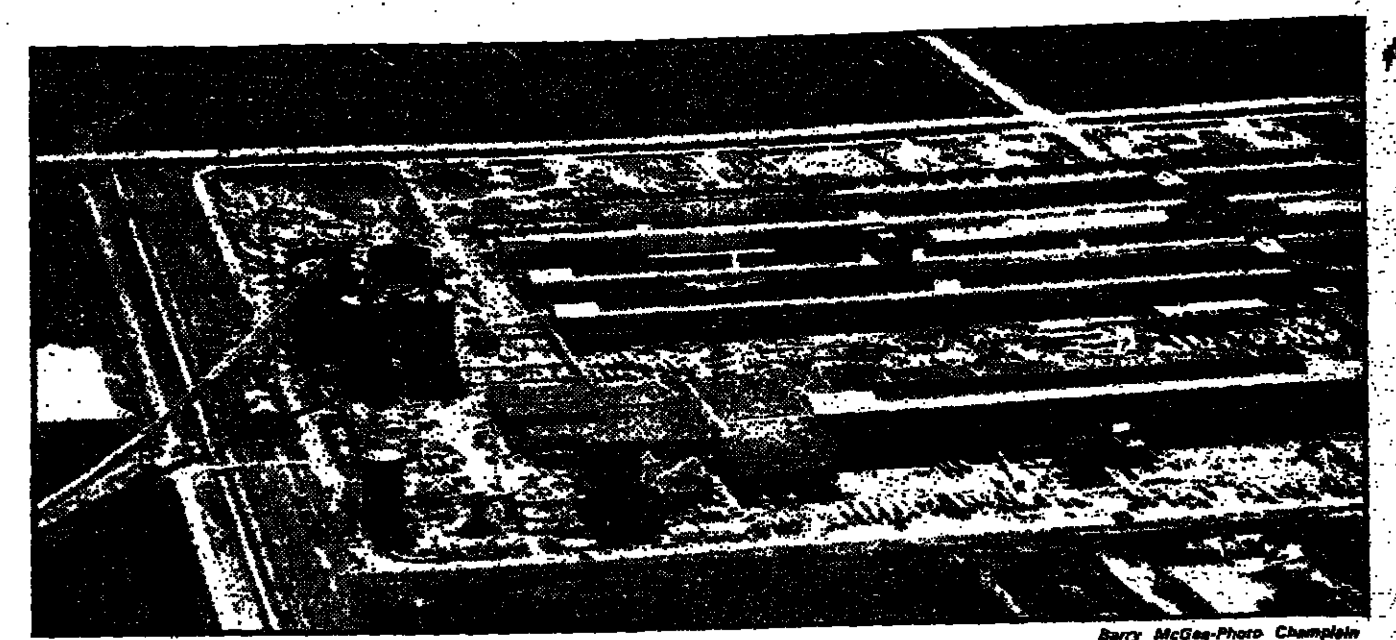
The Reynolds smelter dates back to 1957, when the first two potlines were built by a subsidiary of Tube Investments of Britain. Reynolds later bought the smelter, and has modernised and expanded it.

The most recent project has cost C$500m. The company signed a long-term power deal with Hydro-Quebec giving it very favourable rates, if not as low as Alcan's. In all Alcan owns more than 2,000-megawatts of generating capacity in Canada.

Pechiney got the same power deal from Hydro-Quebec and located its smelter on the south shore of the St Lawrence near Montreal. It will be 25 per cent owned by the Quebec Government, as additional assurance, and each of the partners is responsible for its share of production.

The plant will have the advantage of Pechiney's latest high-productivity technology, excellent water and rail connections, and a relatively stable labour pool. Lower interest rates have helped to keep capital costs near C$1bn. Capacity will be 230,000 tonnes.

Most of the production will go to the international partners' fabricating operations in the U.S., and the external value of the U.S. dollar and North American ingot prices will be almost as important as for Alcan.



Barry McGee-Photo Champlain

Pechiney's aluminium smelter plant nearing completion at Becancour Quebec, some 85 miles north east of Montreal. The plant incorporates Pechiney's latest high productivity technology

Big three step up their fabrication

U.S.

TERRY DODSWORTH

U.S. *ALUMINIUM* manufacturers came out of the recession more or less on cue a couple *of years ago, giving* the *strong* impression that they were heading towards a typical cyclical *recovery* after the economic problems of 1981-82.

But much to the chagrin of the forecasters, the recovery stalled almost as soon as it had begun. *Profits of the big three* producers—Alcoa, Reynolds and Kaiser — amounted to only $339m last year, about one-third of the 1980 figure at the peak of the last recovery, and since then industry has spiralled down into another mini-recession.

The problems were underlined recently in the third-quarter figures from Aluminum Company of America (Alcoa), the largest producer of the metal in the U.S.

Alcoa's year-on-year earnings *were down slightly for* the three months, but over the first nine months of the year dropped to $104m from $271m. Shipments in the quarter fell to *432,000 tons from 439,000* tons, and Mr Charles Parry, chairman, complained of "continued price weakness in both aluminium ingot and fabrication."

Perhaps the most evident short-term difficulty for the U.S. producers is the competitive advantage given to foreign manufacturers by the increase in the value of the dollar, which even after its recent decline *stands at about 50 per cent* more than its trade-weighted average five years ago.

The U.S. has always imported a significant amount of aluminium *ingot*, a product *in* which Canada has a natural advantage because of its cheap hydro-electric power. But with the dollar at present levels, importers from all over the *world have found new markets* in the U.S. for milled products as well.

This year, the flood of imports has been contained to some extent, as shipments of foreign *milled products* have fallen by almost 9 per cent over the first seven months. This trend has *offered* only small relief to American producers who saw imports soar by 76 per cent in 1984, hitting 1bn lbs and taking about 21 per cent of the market — up from 9 per cent five years ago.

The difficulties caused by the dollar have been compounded by structural changes in the world industry which seemed to creep up on the U.S. manufacturers before they noticed them. New markets have failed to open up at the rate they were doing a few years ago, and supply has consequently expanded too fast.

For the more marginal U.S. manufacturing operations, particularly in smelting where the industry has not been modernised as effectively as in fabrication, this imbalance has brought tremendous pressures.

In the first seven months of *this* year, these difficulties showed up in a sharp decline in total U.S. domestic consump*tion, including imported* milled products, from 8.5bn lbs in 1984 to 8.0bn lbs. Total domestic industry shipments, including exports, fell to *8.87bn lbs from 9.1bn lbs* in 1984, bringing about a drop in production through to the end *of August of* around 16 per cent on the year.

Inevitably, one area where the imbalance between supply and demand has shown up is in pricing. *Against* a price of around 70 cents per pound back at the beginning of 1984, aluminium has been selling recently at closer to 50 cents per pound—less than it costs some U.S. producers to make it.

Paine Webber, the New York *securities* house, has *estimated* that ingot prices could vary *widely over the next five years*, but it believes that there will be little price relief before next *year, and that average prices* over the period could come out at a little under 60 cents per pound.

Under the impact of this flood of problems, the U.S. industry has begun a wave of reorganisation. Two of the *smaller* producers, Atlantic Richfield and Martin Marietta, dropped out of the aluminium business last year, and it is expected that several others will follow, leaving the ground more open to the three big players.

It is likely that the U.S. manufacturers will also push more heavily to exploit some of their strengths in advanced fabrication products by closing down more of their smelting capacity.

This is not, of course, a surefire guarantee of success, since the higher margin products are being eyed by most ambitious companies, while, in the meantime, some traditional *markets*, such as the aluminium beverage can, are coming under increased attack from *plastics*.

Profits rising but mood stays cautious

U.K.

ANDREW FISHER

AFTER THE traumas of the early 1980s, the UK aluminium industry is now firmly on its feet again and battling hard in the tough markets of Europe. Output has risen and profitability has improved.

The fight is a tough *one* because demand is only edging slowly forwards rather than shooting ahead, while prices for UK aluminium products have *fallen as a result* of sterling's rise in value this year.

At British Alcan Aluminium, the *mood* is cautious, but not despairing. Higher operating costs and lower selling prices on some products have put a brake on the recovery from previous heavy losses and first half profits of the Canadian-owned company were 13 per cent lower at £23m before tax.

When announcing the results in *July, British Alcan said it* did not foresee much of an improvement in the second six months. The company, formed when Alcan Aluminium (UK) took over British Aluminium three years ago, more than doubled profits in the whole of 1984 to nearly £50m.

But the *cost of putting itself* into fighting shape was high. Capacity was sharply reduced and the number of jobs fell by around 3,500 to 10,000. The measure of the problem was shown by the fact that the two companies which merged into British Alcan had made combined *losses of some £90m in* 1981 and 1982.

Like the rest of the industry, British Alcan is still striving to improve its productivity, enhance quality and keep its energy costs at bay in an industry which is highly energy-intensive. Last year, the *company spent around £8m, a* figure likely to double this year and rise by another 50 per cent or so in 1986.

At Alcoa, which nearly closed its South Wales sheet mill in 1980 after heavy losses, investment of up to £5m a year is taking place *on what* Mr Alan Aylesbury, UK managing director of the U.S.-owned company, calls "quality-driven improvements."

With only slow growth in the overall market and a trend towards use of lighter weight materials. Alcoa's tonnage of aluminium for the drink packaging industry is not actually rising. It supplies sheet for beverage can tops and pull-rings and capacity is around 50,000 *tonnes a year.*

Alcoa sells about 35 per cent of its sheet output to UK customers and the rest on the Continent. It claims a share of 60 per cent at home and more than 50 per cent in Europe as a whole, its competitors being Pechiney of France, and the VAW plant owned jointly with Alcan in West Germany. There are no direct UK-based rivals.

3 per cent growth

Mr Aylesbury reckoned that growth in the UK market would be around 3 per cent a year. Alcoa has encouraged the *packaging industry to use lighter* weight cans, even though this means the use of less metal.

"The UK is way behind the U.S. in light-weighting developments," he said. But he felt it was up to the customer to drive the process on, with a strong competitive impulse *coming from the producers of* other packaging materials.

Since streamlining its product line, Alcoa, which has cut some 700 jobs at its sheet mill (now employing 700 people) and extrusion mill (150), both in Swansea, has moved back into profit, though achieving *"nothing exciting"* as yet, commented Mr Aylesbury.

A few years ago, Alcoa made a big effort to promote a joint programme of recycling and boosting the use of aluminium for the whole drink can rather that just the ends. But the costly campaign came unstuck.

Last year, around half of the UK's 4m beer and soft drinks cans were made of aluminium compared with just over a tenth five years ago. But the UK has a long way to go to catch up with the U.S., where most cans are made of aluminium, which is a recyclable material.

Alcoa tried to persuade others in the industry to join its Cash-a-Can scheme for used aluminium cans. Similar *schemes operate on the Continent.* Early last year, however, it withdrew the scheme and stopped making can body sheet in South Wales. The industry still has a recycling programme, but Mr Aylesbury said it would need "a massive injection" of cash to provide the right impetus.

On the stockholding side, Amari, shares of which were floated on the London stock ex*change just over a year ago,* showed itself in confident mood, when announcing its first half results. These showed pre-tax profits of £3.7m (£3m), before taking account of a £1.9m profit on the sale of Century Aluminium.

Mr Jon Pither, the chairman, said the second half of the year had started well and that, encouraged by the success of the Canadian operations, Amari was now looking for opportunities in the US.

Significant changes

Over the past decade or so, significant changes have taken place in the main uses for aluminium. In the early 1970s, it was the transport industry which took the largest share of semi-finished aluminium products for use in trucks and trailers. Next came the engin*eering, electrical, and foil* industries.

Now, engineering is in first place, with windows second as a result of the recent double-glazing boom, followed by non-foil packaging.

Inside Alcoa's rolling mill at Swansea. It is Alcoa's largest European operation and exports over 50 per cent of its product for easy open can ends

UK Performance

(tonnes)	1984	1983	1982
Primary aluminium:			
Production	292,375	252,525	240,806
Imports	166,144	157,821	149,300
Shipments (incl. exports)	452,834	418,269	399,248
Scrap:			
Shipments	143,097	128,052	115,779
Shipments of wrought and cast products:			
Plate, sheet, strip, circles	191,161	174,870	173,662
Bars, sections	133,891	134,970	121,960
Tubes	10,449	12,420	14,443
Wire	31,765	31,001	34,100
Forgings	1,651	1,728	1,907
Castings	77,458	77,008	78,307

Source: Aluminium Federation

Concern over export prices

Australia

MICHAEL THOMPSON-NOEL

TO THE outside world, Australia is putting on a brave face at present. Growth is strong, employment growing, the stock market in an ebullient frame of mind and the unions co-operating manfully with Mr Bob Hawke's Labor Government, whose wages policy has dampened industrial unrest and helped sponsor a surge in profits.

However, pockets of glumness remain, particularly in metals and mining, as typified by the Australian aluminium business, which is now fully integrated into the world aluminium scene.

Things used to be simpler. In 1979, Australia produced almost 270,000 tonnes of aluminium, of which it consumed 215,000 tonnes. Without any difficulty it was able to export the balance at acceptable prices.

In 1984, however, Australian production had reached 756,700 tonnes. Although local consumption had risen to 258,500 tonnes, it was necessary to find export markets for more than 477,300 tonnes at prices that were far from acceptable.

In 1980, the Department of Trade in Canberra was predicting that by 1985, Australia could become the world's *largest* exporter of *primary* aluminium, with exports totalling 1m tonnes a year out of total production of between 1.2m and 1.3m tonnes.

Things have not worked out so grandly. This year, says Mr Charles Kneipp, director of the Australian Aluminium Development Council, total Australian production is likely to be around 780,000 tonnes, and whereas domestic sales are still quite strong, thanks to a buoyant economy, the continuing depressed state of international prices is little cause for cheer.

On the other hand, Australia's 1985 *output* could be as high as 850,000 tonnes, with exports close to 580,000 tonnes.

In the latest June half, Comalco's Bell Bay smelter in Tasmania was operating at a little over its design capacity of 171,000 tonnes; Alcoa of Australia's 165,000-tonne-a-year *smelter at Port Henry in* Victoria was going flat out, and Alcan Australia's Kurri Kurri smelter in New South Wales was commissioning a third new potline that will boost capacity to around 150,000 tonnes.

In addition, two "second generation" smelters are now fully commissioned: the Boyne Island smelter in Queensland, by Comalco and others (206,000 tonnes), and the Tomago smelter in NSW (Pechiney, CSR, and others, 230,000 tonnes).

In Victoria, Alcoa's on-again, off-again Portland smelter is on again, with the participation of the State Government. In *Western Australia, however,* plans for a 220,000-tonne, A$1.3bn (£650m) smelter at Bunbury, formerly heralded as signalling a "major new direction" for Western Australia's development, now seem to have been postponed.

Australia remains a low-cost *aluminium producer. It has vast* reserves of bauxite, and relatively though not excessively low energy prices (it has plenty of cheap coal). But the depressed state of world aluminium prices has hardly helped profits, although experiences vary.

Alcoa of Australia saw a net profit for the June half of A$27.1m against A$24.8m previously, and cited the effect of a weaker Australian dollar on sales. Alcan Australia saw a 32 per cent fall in first-half net profit, to A$6.9m, while Comalco actually saw a swing from a *A$25.2m net profit in the first*-half last year to a loss of A$16.7m in the same half this year.

First-half capital expenditure at Alcoa was A$57.7m, including A$36.4m as its share of spending at Portland (excluding capitalised interest), while total interest on borrowings was A$63.5m, against A$51.9m pre-U.S. dollar and slightly higher viously, reflecting a stronger debt.

Alcoa's directors said that *continued oversupply of both* alumina and aluminium would have an adverse effect on profits in the near-term, and that profitability continued to depend on the company's ability to cut costs.

Comalco, in turn, is the only majority Australian-owned aluminium company. *It is 67* per cent owned by CRA, the big Australian mining house, whose other interests include copper, iron ore, lead, zinc, diamonds (the Argyle project in WA), coal, gold, etc. In 1984, group net earnings sagged from A$71.6m to A$29.5m.

Comalco is *fully internationalised,* which is why it is suffering at present. It has consortium interests in an alumina refinery in Sardinia, and in the aluminium smelter at Tiwai Point, NZ, plus a smelter and rolling facilities in the U.S. It also has interests *in aluminium fabrication com*panies in Japan, Hong Kong, Indonesia, Malaysia, the Philippines, and New Zealand.

Comalco says it has no regrets about broadening its downstream processing and marketing base. On the other hand it is constantly having to review its aluminium production, saying that last April's electricity price increase at Tiwai Point, which will add about NZ$20m to annual running costs, was "cause for serious concern." *(Mr David* Lange, the New Zealand Prime Minister, says that formerly Comalco was getting electricity at "widow's prices.")

According to the Comalco chairman, Mr John Ralph, speaking in April: "The current dramatic decline in the value of the Australian dollar . . . . has signalled that there is spreading international concern at Australia's economic performance.

"Like most other export-based enterprises (in Australia), Comalco is finding it increasingly difficult to remain competitive in the current domestic environment. Rates of return on investment continue to be inadequate, *dampened by excessively high* labour and capital costs, and state and federal government image of aluminium is a rather hazy one in the minds of the public and many businessmen, the industry is embarking on a programme to sharpen its profile.
charges.

"In particular, the extent of current government expenditure has led to growing tax *burdens on the productive sec*tor as well as an unsustainable level of borrowing."

This is a familiar complaint. Unfortunately, familiarity does not lessen its relevance, at least in the aluminium trade.

Supplies of ingots awaiting export at the Tomago Aluminium smelter

Ashley Ashwood

Struggling to break even

Brazil

ANDREW WHITLEY

THE OFFICIAL inauguration last week of Brazil's newest aluminium refinery, Albras, which is a joint venture between a Japanese consortium and the government-controlled Companhia Vale do Rio Doce (CVRD), was not the happy occasion it should have been for this once-booming industry.

At a time when the aluminium price on the London Metal Exchange is dipping perilously close the U.S.$900 a ton (below the operating costs of even the most modern and efficient Brazilian plants) the last thing the established producer needs is higher installed capacity in the country and another competitor.

Newly established facilities such as the integrated Alumar complex at Sao Luis, on the northern coast, and the Valesul refinery near Rio de Janeiro, are struggling hard to break even on a current cost basis, leaving aside their heavy capital investments.

Energy costs, after a few years in which they declined in U.S. dollar terms to an average of around 13 mills, are expected to rise significantly in the near future; and the domestic market for aluminium, once regarded as perhaps the best reason to invest in Brazil, remains well below its 1980 peak.

The chequered story of Albras and its associated alumina smelter Alunorte reflects the changing fortunes of the Brazilian aluminium industry.

Conceived in the early 1970s is the plant's largest integrated works, producing 1.3m tonnes of alumina and 640,000m tonnes of primary aluminium. Its strategic advantage is its location in the mouth of the Amazon River not far from major deposits of bauxite and cheap energy from the new Tucurui hydro-electric plant.

The Alunorte alumina was intended to be fed integrally into the refining operation, whose offtake—for domestic consumption or export — would reflect the 51:49 ownership split between CVRD and the Nippon Amazon Aluminium Company, a consortium of 31 companies concerned.

Full production for the first stage — 320,000 tonnes of aluminium — was scheduled for both units for 1986. This schedule has now gone haywire because of the worldwide recession in the industry and Brazil's own acute cash shortages.

President Jose Sarney last week inaugurated a refinery which has in operation only its first pot-lines, capable of producing 80,000 tonnes a year, and few with alumina imported from neighbouring Surinam. Work has been almost halted at the adjacent Alunorte plant for two years and is unlikely to resume again before 1987, at the earliest.

Its power supply from Tucurui, a big power station on the Tocantins river, is also well behind schedule because of delays in installing high-tension transmission lines. Even the scaled-down target for Albras of 160,000 tonnes by next year is unlikely to be reached because of this unexpected limitation.

As for the Japanese, their initial enthusiasm for the whole project is believed to have cooled considerably. Capital costs on completion have been revised upwards to near U.S.$2.5bn. And the operating costs of aluminium production on virgin sites in under-developed regions are likely to prove much higher than was earlier estimated — judging by Alcoa's experience with its nearby Alumar plant.

Alumar, a custom-made, Alcoa-designed plant in which Billiton, the Shell minerals subsidiary, had a minority holding, is in trouble only a year after its own grand opening.

The root of the problem is, not surprisingly, the low world prices. With it standing at nearly U.S.$200 a tonne below production costs and the company trying to meet high debt obligations at the same time results in a circle that cannot be squared, as Mr Alain Belda, Alcoa do Brazil's president, has painfully discovered.

According to western bankers, Alumar is currently engaged in rescheduling its debt principal payments and has had difficulty even in meeting its interest payments. "They must be bleeding to death," said Mr Ian Rugeroni, of Alcan's Brazilian subsidiary.

Alcoa admits it was over optimistic about the prospects of a Brazilian domestic market, originally expected to be the main market for Alumar. But in this they are not alone. During the 1970s, when recession was a bad word in Brazil, local aluminium consumption was growing by about 15 per cent a year.

All the potential seemed to be there, a population which has now reached 134m with a tiny per capita consumption of aluminium, fast industrial growth, abundant raw materials and relatively cheap energy.

New plant was installed as fast as the finance could be found. Capacity jumped from 205,000 tonnes in 1978 to this year's 554,000 tonnes. On original projections the curve would have climbed to nearly 1m tonnes by the end of the decade, making Brazil one of the few top producers in the world.

The severe Brazilian recession of the early 1980s which, in aluminium, extended into last year, transformed this outlook. Domestic producers had to be reorientated to the export market and much planned expansion was shelved or dropped.

One side effect of the export drive is that it has changed the economics of previously costly aluminium refineries such as Valesul (an AVRVD-Billiton joint venture), in relation to bigger, integrated plants such as Alumar.

Alumar, the aluminium refinery at Sao Luis, northern Brazil

Brazilian Exports

($m)	1980	1981	1982	1983	1984
Bauxite	65.2	114.5	87.8	114.6	125.3
Alumina	10.1	8.9	6.6	9.5	19.5
Primary aluminium	40.2	67.4	57.0	264.0	323.7
Total	115.5	190.8	151.4	388.1	568.5

Source: Consider, Ministry of Industry and Commerce.

The reason is the current cost advantage of importing alumina at $125 a tonne through the government's export-related "drawback" scheme rather than producing it at home at about U.S.$160 a tonne.

The evident advantages have shown up in Brazil's trade statistics. These reveal that alumina imports jumped from 87,000 tonnes in 1982 to 203,000 tonnes the following year and 180,000 tonnes in 1984.

How to get away from their current excessive dependency on fragile export markets and back into the Brazilian mainstream is the key dilemma facing most of the aluminium companies in Brazil.

The single exception to this argument is CBA, heart of the giant Brazilian Votarantim group, which is the lowest-cost producer in the country and kept to the home market throughout the recession.

One hopeful new development is the expected arrival next year of the all-aluminium can. Although Brazil is a vast market for soft drinks and beer, the country's drinks producers relied until recently entirely on glass bottles. The steel can, derided by the aluminium makers as a poor product, has only a tiny market niche.

A comparison with the U.S. which has per capita consumption of 600 cans a year, is dramatic. Brazilians bought only four cans each last year.

The company which hopes to transform these figures is Reynolds, a minor player so far in the Brazilian aluminium market. With an estimated investment of $55m, Reynolds plans to set up a car-making plant in Minas Gerais state next year with an annual capacity of 700m to 800m units — for a current market of 500m cans a year.

Alcan, for one, is delighted. It has just spent U.S.$180m on a new hot-rolling mill for aluminium sheet, due on stream about a year hence. If it had not been for the car-making plant its output would have been destined for the uncertain export market.

World Primary Aluminium Industry Production

('000s metric tons)

Country	1984	1974	Country	1984	1974
North America	5,239	5,510	Oceania	1,061	281
Canada	1,200	1,021	Australia	758	220
Mexico	40	41	New Zealand	243	111
United States	4,099	4,448	Europe	6,332	5,225
South America	886	211	Common Market		
Argentina	134	1	Countries	1,982	1,882
Brazil	412	126	France	342	394
Surinam	30	34	Germany West	750	689
Venezuela	310	50	Greece	135	149
Asia	1,552	1,613	Italy	230	216
Bahrain	177	118	Netherlands	248	251
China—Mainland	380	180	United Kingdom	226	293
China—Taiwan	—	32	European Free		
India	270	128	Trade Assoc.	1,101	985
Indonesia	180	—	Austria	96	92
Iran	46	49	Iceland	82	70
Japan	287	1,118	Norway	761	663
North Korea	10	—	Sweden	85	83
South Korea	18	17	Switzerland	79	87
Turkey	35	—	Other	3,239	2,358
United Arab Emirates	150	—	Czechoslovakia	34	50
Africa	411	279	Germany East	58	59
Cameroon	80	47	Hungary	74	69
Egypt	166	—	*Poland	46	102
Ghana	—	157	*Romania	244	187
South Africa	165	75	Spain	381	161
			USSR	2,100	1,433
			Yugoslavia	302	147
World Total				15,522	13,160

* Includes secondary.

Source: The Aluminium Association (converted from short tons).

Influence over prices strengthens

London Metal Exchange

STEFAN WAGSTYL

ALUMINIUM producers are further away than ever from re-establishing the control they once enjoyed over world aluminium prices. The past year has seen an increase in the powerful influence of the futures market on the price discussions between the aluminium companies and their customers.

As the producers feared when the London Metal Exchange launched its aluminium contract in 1978 the effect has been to make prices more volatile and more dependent on market sentiment not just in the aluminium industry but in all walks of economic and financial life.

Publicly, the big producers, notably the North American companies, maintain their hostility to the LME prices. But they acknowledge that the traditional system in which they sold at known fixed prices has probably gone for good. They have started using the futures markets themselves, often in a very small way, if only to keep in touch with sentiment.

More significantly, the major aluminium companies admit privately that the day could be fast approaching when they will use LME prices as the basis of their contracts with customers.

Many newer producers do this already. A key deal was struck last year between the Japanese and Venezuela, to change the basis of pricing at Venalum from the Alcan producer price to LME quotations. The Japanese had insited that prices reflected the market more closely.

Intermediaries

Merchants, often acting as intermediaries between producers and fabricating companies, are increasingly using LME prices as the basis of their buying and selling, usually covering their positions by hedging on the LME.

At a conference arranged by the magazine Metal Bulletin earlier this month, Mr Sandy Ross-Macdonald, vice-president at trader Gerald Metals, said that in the merchants' area of the aluminium market the LME quotation was the pricing mechanism.

This has not been true of the contracts between the major North American producers and their customers. But Mr Ross-Macdonald said that the LME quotation was "the major factor in setting the ground on which the discussion takes place."

An executive at one North American producer said: "It does exert a significant influence but we don't have contracts based on the LME."

Producers have acknowledged the effect of market influences by allowing customers to renegotiate an agreed future price if, near the day of delivery, it seems too high. These "transaction prices" published in trade journals on information drawn from consumers, broadly follow LME prices, though they tend to move less sharply.

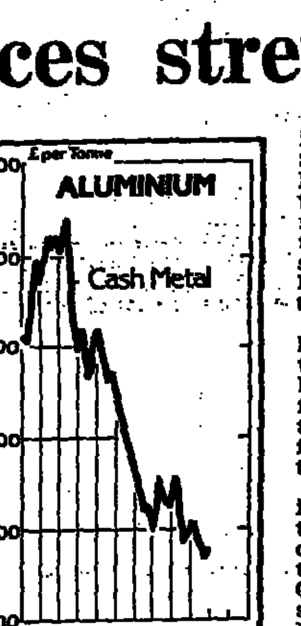
Producers agree that the LME quotation would be far less volatile if they used the exchange more actively themselves, but the major companies have no plans at the moment to increase their very low levels of hedging.

"It does not serve our interests, though that may change in the future, perhaps in the next year or two," said a senior executive at one producer.

He pointed out that falling aluminium prices over the past year had done nothing to attract the producers to the LME, since LME prices had led the market down.

Traders at the LME are confident that the exchange's aluminium contract will continue to grow in importance in the market. The volume of business done this year is sharply down on 1984 — with 19.5m tonnes traded for the first nine months of 1985 against 30.6m for the whole of last year.

However, traders believe that this is largely the result of speculators outside the aluminium industry leaving the market alone during a period of falling prices. Aluminium trade interest remains strong, they say.



The LME is well pleased with the success of its contract. Mr Michael Brown, the exchange's chief executive, said that the aluminium was well on the way to overtaking copper as the most actively traded metal.

The volatility of exchange rates has also encouraged trading companies, for example Shearson Lehman Brothers and Rudolf Wolff, to promote contracts priced in dollars alongside the LME's sterling contract. These dollar contracts save customers the trouble of hedging their currency and their metal separately.

The success of these moves has encouraged trades to discuss the possibility of trading a dollar-priced contract across the floor of the Exchange itself. But the LME has yet to begin any formal studies of such a contract.

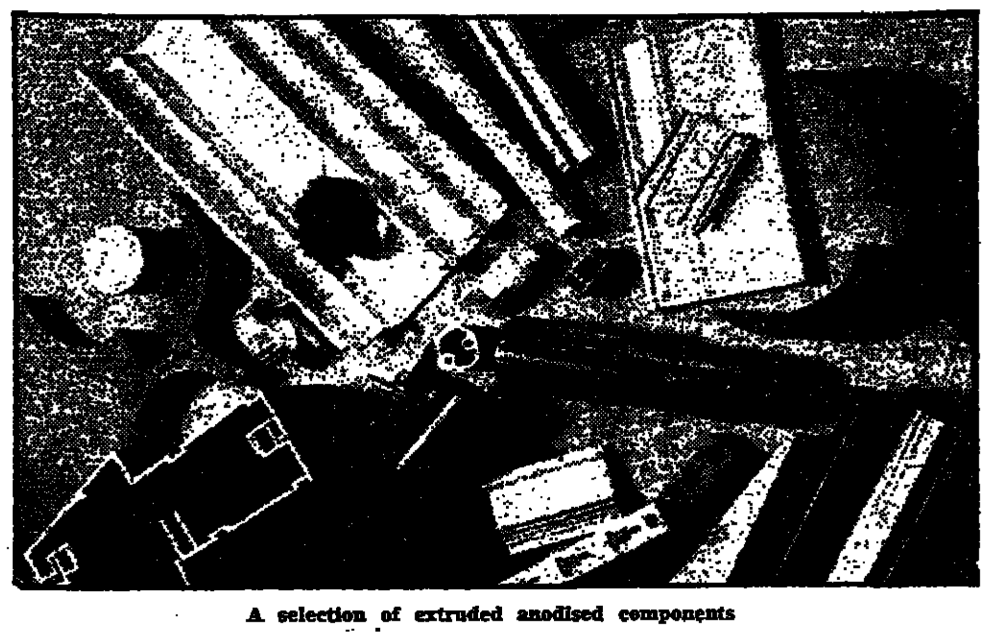
There is a quiet satisfaction in London that the sterling contract has performed so well, in contrast to the dollar contract traded in New York, on the Commodity Exchange (Comex) since December 1983. Many LME traders were at first afraid that the New York contract, priced in the currency in which most deals in the aluminium industry are struck, could not fail to displace the LME's.

This has not happened, largely because, say Comex officials, the launch of their contract coincided with the beginning of a long period of declining aluminim prices which has discouraged the speculators, whose activities bring much-needed liquidity to the market.

Plastics pose new threat

UK Extruders

IAN RODGER



A selection of extruded anodised components

BRITAIN'S ALUMINIUM extruders are in the midst of a major market development campaign as they seek to recover from the adverse impact of the surge in the aluminium price in late 1983.

They are also trying to convince their customers that they have taken steps to insulate themselves from a further volatility in the metal price.

The 1983 price increases, which saw the aluminium ingot price rise from £533 a tonne in June to more than £1,100 a tonne the following January, sent customers running for cover or, to be more specific, in search of other materials and technologies for making their components.

The most damaging loss for the extruders was in the replacement window market. Until 1983, about 90 per cent of replacement window frames in the UK were made from aluminium extrusions, but today, plastic has raised its share to 30 per cent.

That was bad news for the extruders because the home improvement market, of which window frames are the most important part, accounted for about 30 per cent of their business.

The extruders realised that they had to take action if further erosion were to be prevented, and so they have been working on three fronts.

● They have been negotiating continuously with the primary aluminium producers with a view to having stable—and, as far as possible, low—prices for their metal. Mr Brian Turner, managing director of Indalex, a leading UK extruder, says that producers have reduced their costs and are now much more willing to negotiate prices than they were a couple of years ago. "We now feel we have the lower cost base of the smelters helping us," he says.

Also, extruders have become much more enterprising in shopping for metal. Even though Indalex is part of the Rio Tinto Zinc group, which has a one-third interest in the Anglesey Aluminium primary smelter in Wales, the company imports about 70 per cent of its metal.

● They have been cutting costs and improving their processes; occasionally the two can be accomplished at the same time. One of the most interesting developments is the emergence of secondary smelters that can upgrade scrap and primary metal to the best extrusion grade material.

This lowers the average metal cost to the extruder and it also provides the opportunity for reducing the number of grades he keeps in stock, thus reducing his working capital.

● They are making a major effort to develop new markets. The extruders are self-critical for having become satisfied with their established markets. They realised, in the wake of the 1983 shock, that they had to make a continuous effort to develop new markets, if only to replace those that would be lost from time to time in the constant competition with other materials.

Some have developed totally new products. British Alcan Aluminium, for example, has introduced an extruded aluminium radiator in the past year, and it has begun to make a slight dent in the stranglehold of steel in this market.

Mr John Bridgeman, managing director of British Alcan's commercial extrusions division, said the Alurad radiators were now selling at the rate of 700 per month and would be over 2,000 a month by 1987.

The group also has licences in France, West Germany, Italy and Canada for a radiator that takes up significantly less space than a steel one to transmit the same amount of heat.

British Alcan has also developed a computer-aided design service to help engineers design their parts quickly and work out the stresses involved so that the minimum necessary material will be used in the part. The system can also prepare machine tool programmes for cutting dies, thus reducing the time between design and production.

Mr Bridgeman says that the company has had to add three new terminals to its original two in the past year and all are now working two shifts a day.

The UK extruders are also making a major promotion effort. They got together early last year and agreed to put up a "six figure sum" to finance a campaign, and managed to convince 10 primary producers to contribute.

The message of the campaign is simple. Extrusion is all about making shapes, and there is no limit to the shapes into which a billet of aluminium can be squeezed through a die. So the campaign, called the Shapemakers, attempts to make designers and engineers aware of the potential of aluminium extrusions, mainly by way of example.

Quarterly newsletters point out the innovative ways in which extrusions are being used, particularly in engineering where the ability to make complex shapes often means that one shaped part can replace a fabrication of two or more parts, thus saving on material and assembly costs.

They show tiny extrusions used in electronic equipment assemblies, masts for huge sailboats, cases for thermometers, frames for modular wall partitions and many other applications.

"Our promotion effort reflects our belief that our product is undervalued," Mr Richard Cowdell, managing director of CEGO (Engineering), says.

The Shapemakers campaign also has an information telephone number and inquiries are transmitted to all 20 participants for follow up. In the year since the campaign began, more than 2,500 inquiries have been received, leading to considerable new business for many of the extruders.

So far, no detailed study of the effectiveness of the campaign has been carried out, but extruders are convinced it has been helpful. Certainly, the production figures would suggest that this is the case. Despite the sharp decline in the home improvement market, the overall tonnage of aluminium used in extrusions has dropped only slightly from 170,000 tonnes in 1983 to about 165,000 tonnes last year.

Extruders also point out that they face an annual erosion of about 5 per cent in their tonnage because of reductions made by customers in the thickness of their extrusions.

"We are in the acorn stage," Mr Cowdell says. "Some of the seeds we are sowing will not be trees for five years."

PROFILE: ALUSUISSE

BY WILLIAM DULLFORCE

Diversification plan brings change in role

THE GRITTING of teeth is almost audible in Alusuisse's trim and austere, aluminium-clad headquarters by the lakeside in Zurich, where determination is the order of the day for management.

The determination aims at adapting the last European aluminium producer remaining wholly under private control to a market, which has proved to be increasingly volatile and insecure. It also means persevering in the face of financial constraints with a diversification strategy that has already fallen behind schedule.

Teeth were gritted harder in August when the first-half figures showed that the optimism generated by last year's profit recovery had been premature and that 1985 net earnings would be lower than forecast.

Hard-pressed management drew consolation from the belief that the restructuring programme of the last three years has left a fitter Alusuisse, whose vital parts are not likely to be damaged by this year's setback. There is no intention of changing present strategy.

Important changes have occurred in the last decade. The first was the annoucement in 1975 of a diversification campaign to reduce the share of aluminium to only half consolidated sales by Alusuisse's centenary in 1988.

The second, more recent change has stemmed from the recognition that Alusuisse can no longer sustain its proud image of being a fully integrated producer, generating its own requirements of primary aluminium.

It was decided that the future Alusuisse would buy part of the primary aluminium it needs on the market. No target has been fixed but there has been talk of taking roughly a quarter from outside suppliers.

The assessment behind this appraisal is that aluminium prices will not return to former high levels and that with the coming on stream of large, new smelters in Brazil, Venezuela and the Middle East there will always be enough output to provide Alusuisse with its marginal supplies at a reasonable price.

Capacity has already been trimmed under the restructuring programme started in 1982. The nominal capacity of the group's smelters was put at 877,000 tonnes a year in the 1984 annual report, leaving Alusuisse in sixth place in the world league.

The latest official figure is 810,000 tonnes and that includes the smelter at New Johnsonville, Tennessee, which has been operating at only 15 per cent of capacity and may be expected to close next year.

Alusuisse still has greater capacity in the U.S., some 240,000 tonnes, than anywhere else but it is heavily concentrated in Europe, where its West German smelters can produce 197,000 tonnes a year and it has substantial capacity in Iceland, Switzerland and Norway and smaller plans in Italy and Austria.

Looking to the 1990s and beyond, the management foresees the need for new, cheaper smelter capacity but it is almost certain that this will be built in partnership with other producers.

The project in Zaire, in which Alusuisse was the consortium leader, has fallen apart, following delays on the government side in putting in port facilities, roads and power lines. Zaire cancelled the contract at the end of June.

The Quebec Government has asked Alusuisse to take part in evaluating a project for a new smelter of around 200,000-tonne capacity at a site on the St Lawrence river and at present the management would appear to favour new production in Canada.

After the settlement of a dispute with the Icelandic Government, plans have been revived for an expansion of capacity at the Isal plant outside Reykjavik but Alusuisse would want a new partner to be brought in, to take the extra output, if that project should go ahead.

The diversification strategy pursued by Alusuisse over the past 12 years helped the group to triple sales but not every takeover proved to be successful and acquisitions resulted in a leap in debt.

The management can claim, however, that the Lonza chemicals company and the Maremont automotive parts business in the U.S. supplied important contributions to cash flow in 1981-83, when aluminium was sustaining losses, and the board remains convinced that diversification is in principle the correct course.

Last year aluminium still accounted for 65 per cent of consolidated sales with chemicals providing 18 per cent, Maremont 14 per cent and the remaining 3 per cent coming from the small engineering division.

Alusuisse's present financial situation would not allow it to put up the cash to buy another Lonza, so that the target of expanding the chemicals side to about 30 per cent of group turnover is not likely to be reached quickly.

The consolidated long-term debt was SwFr 3.37bn ($1.57bn) at the end of 1984 against shareholders' equity of SwFr 2.64bn but the debt has been stabilised for the past two years. A substantial reduction in dollar borrowing was effected in 1981 and 1982, when loans were switched into other currencies.

Analysts were critical when Alusuisse in 1982 took the unusual course by conservative Swiss standards of writing up the value of its bauxite rights at Gove in Australia, to create a restricted reserve of SwFr 700m.

This has been used solely to cover the costs of restructuring the aluminium business and had SwFr 128m left at the end of last year. A further withdrawal from the reserve will be needed this year.

The restructuring programme, scheduled to take five years, has entailed the closing of inefficient and loss-making plant, the reduction of inventories at all stages and cuts in overheads, notably at head office. Employers declined in number from 45,000 in 1980 to 35,000 last year.

In a more offensive spirit the programme has led to a drive for new products and a better marketing approach, in line *with the industry-wide recognition* that profits are now to be found not in producing primary aluminium but in developing finished products and applications for consumers.

At the management level, research and development has been linked more tightly with marketing, a change symbolised by the appointment to the executive board of Dr Adnan Odok, the head of research, and giving him also responsibility for marketing.

One success registered at the product level was the supply of large extrusions for 700 new carriages for the Paris Metro. Alusuisse is now partnering two British groups bidding for a similar London underground contract and believes that in the transport field, including trucks, it has found an expanding market.

The switch to a marketing emphasis was symbolised, at least in the eyes of the Swiss media, when Mr Emanuel Meyer in 1982 resigned as chief executive after nearly 20 years and the post of chairman/chief executive was split, to allow Dr Bruno Sorato to become chief executive.

1984 Performance

1984 figures	SwFr bn
Consolidated sales	8.34
of which:	
Aluminium	5.42
Chemicals	1.53
Maremont	1.15
Engineering	0.24
Shareholders' equity	2.64
Long-term debt	3.37
Short-term debt	1.00
Cash and equivalent	0.54
Inventories	2.07
Current assets	4.14
	SwFr m
Cash flow	587
Net earnings	169

ALUMINIUM 6

Big retailers call the tune in the UK

Packaging

TONY JACKSON

PACKAGING, for the aluminium industry, is a vitally important and inherently perplexing market. As to the importance, the figures speak for themselves. Of the 240,000 tonnes of rolled aluminium used in the UK annually, around 66,000 tonnes, 28 per cent, are accounted for by cans or closures. Of the 55,000 tonne market for aluminium foil, packaging takes all but 7,000 tonnes.

The perplexing nature of the market has to do with the immense changes taking place in packaging itself. Packaging companies agree that the pace of substitution between various materials—metal, glass, plastic, board—is faster now than they have ever known. This, in turn, is above all the result of the revolution which has taken place in retailing in the past decade.

The concentration of power in the hands of a few big retail chains such as Tesco and Sainsbury has put immense pressure on suppliers. For food and drink manufacturers, the installation of packing lines is a major investment, and requests from retailers for innovative forms of packaging were formerly resisted as an unwarranted cost. Now, however, the big retailers have the kind of market share which enables them to call the tune.

It may not be a coincidence that 10 years ago beer and soft drink cans were almost all made of tinplate. Since then, aluminium cans have made steady inroads, and last year for the first time accounted for 50 per cent of the market.

Aluminium is a more expensive material than tinplate, even if it may save manufacturers something by causing less damage to tooling equipment. Retailers tend to prefer aluminium for its lightness and finish. There is, however, little evidence of their paying for the difference — a situation which has become familiar throughout the packaging industry in recent years.

With aluminium and tinplate now neck and neck in the drinks can market, both sides are dug in for a long battle. The aluminium industry, though, has hopes of one big long-term advantage — the environmental issue, and the recycling that goes with it.

Recycling is not yet a major issue in this country, but it looks set to become one. In several European countries, there is pressure to limit the use of plastic in packaging. In West Germany, local authorities recently called on the Government to ban entirely the use of PE (polyethylene terephthalate, the fast-growing clear plastic used as a glass substitute) for Coca Cola bottles.

For recycling purposes, aluminium has several advantages over tinplate. First, it is a pure rather than composite material. Second, it is inherently more valuable as scrap, being worth between £400 and £500 a tonne, or 1p per can. Third, all drinks cans have aluminium ends. Steelmakers are working on developing a steel-based can end, but seem several years away from commercial production.

The chief problem with recycling is that of gaining critical mass — of having enough of the material in circulation to make a collection system economic. Alcoa of Great Britain launched a scheme three years ago called "cash-a-can," but it flopped and was stopped.

Since, according to the Aluminium Federation, aluminium cans used in the UK last year totalled 1.9bn, it is at least possible that reclamation in this country could reach the 50 per cent level seen in the U.S., where aluminium has a 90 per cent share of the drink can market.

In another attempt to set up a collection system, reverse vending machines were installed on a trial basis in half-a-dozen Safeway stores in the Midlands this September. These machines, familiar to the U.S. shopper, give out in return for each aluminium can a 1p receipt which can be swapped for cash at the checkout.

A selection of aluminium foil pouches from various countries

It is significant that a big retailer should be helping the plan out in this way. The environmental case against packaging is less developed in this country than in many parts of Europe, or in the U.S. But few in the packaging industry doubt that it will gather strength. When it does, the retailers will be an obvious target for pressure, and they are in a position to pass that pressure on to their suppliers.

With packaging overall, drink cans are still the aluminium industry's main source of growth. Even if aluminium's share of the market is not further extended, the market is still growing at around 2 per cent a year. Elsewhere in packaging, growth prospects are more uncertain.

Aluminium foil — defined by the manufacturers as being under 0.2 mm in thickness — is used in packaging mostly in the form of household wrapping foil, a market which has shown modest growth for some years. For foil used elsewhere in packaging, prospects are more mixed.

One use which seems certain to decline is milk bottle tops. In the milk market, glass bottles are essentially tied to the system of doorstep delivery by milkmen, and that system is losing ground to the supermarkets.

The cardboard carton has doubled its share of the milk market in the past six years, to nearly 19 per cent, and the plastic bottle has come from nowhere in three years to grab another 2 per cent.

Foil is also used in food packaging, both for frozen food and what are called by the trade "ovenable trays" — that is, the heat-proof semi-rigid containers which can be put in the oven to warm up television dinners.

The market for ovenable trays is likely to come under threat from PET—a remarkably versatile plastic, which besides its clear glass-like qualities also has enough heat resistance for use in ovens. In the frozen food market, demand for foil containers looks set to increase in the near future. But in the packaging market it is never safe to underestimate the plastics manufacturers.

Since the grim years of 1980-1982, when Europe's plastics' makers made collective losses of several billion dollars, the plastics industry has looked to packaging as its main hope for near-term growth. This has meant a burst of innovation in new materials, and also combinations such as co-extruded plastics which offer improved barrier properties.

Across the whole range of packaging, this is the biggest long-term threat to traditional packaging materials—glass and tinplate as well as aluminium. The adaptability of plastics is seemingly endless; even in the apparently secure market for drinks cans, there is a warning note. In a number of states in the U.S., Coca Cola has just started test marketing of cans made — yet again — of PET.

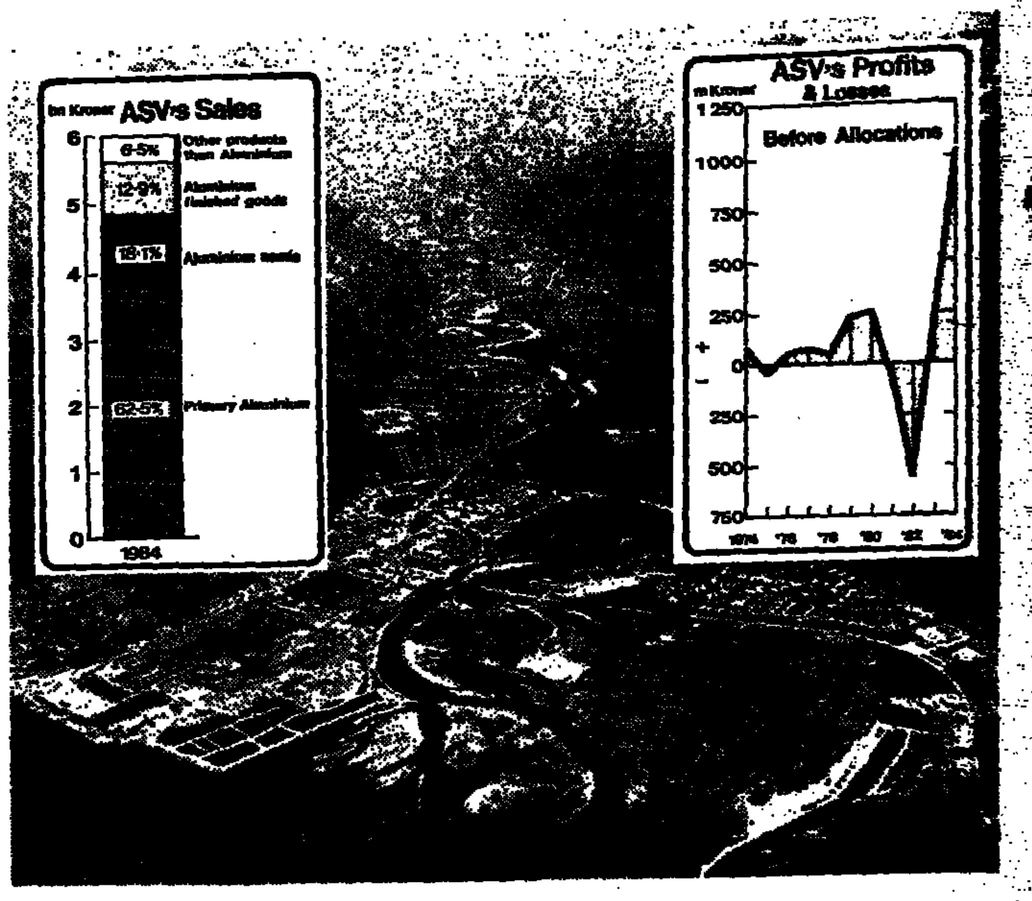
PROFILE: ARDAL (ASV)

BY FAY GJESTER

Reassessing the future

THE GLARE of media publicity which surrounded recent negotiations about a link-up between Norway's two largest aluminium producers — Ardal og Sunndal Verk (ASV), and Norsk Hydro — was one reason why the talks failed. This is the view of Mr Haakon Sandvold, ASV's president.

Sandvold says the bargaining — which ended, last April, in at least temporary deadlock — should have been conducted behind closed doors. He will not comment on the chances that it may be resumed, but says ASV's management has spent the summer discussing various possible ways of achieving the group's main goal — securing markets for the primary aluminium which is its major product. "A reassessment of the future," is the way he describes it.



The state-owned ASV, Norway's largest aluminium producer, is vulnerable to the fluctuations of the world aluminium market because it is so big in primary aluminium, in relation to its other activities. Its downstream operations, in Scandinavia and the UK, still absorb only about 27 per cent of its metal output. The latter reached 368,000 tonnes in 1984.

Norsk Hydro, with output last year of 160,000 tonnes, is somewhat better placed — its own extrusion plants in Europe and the U.S. take about 45 per cent of the aluminium division's metal. Moreover, Hydro's light metals group has a second leg to stand on — magnesium.

Good profits from magnesium sales in the first half of this year more than offset weaker prices for aluminium, and the light metals segment lifted profits to Nkr 459m ($57.8m) in the six months, compared with Nkr 405m in the same period of 1984.

ASV's eight-month report, in contrast, is expected to show profits down on last year. For 1985 as a whole, the concern is now forecasting a pre-tax result on around Nkr 400m — less than a third of the record 1984 figure (Nkr 1,020m), although still the second best result in its history. The pattern of widely fluctuating profits — losses, in some years — seems set to continue.

The advantages of belonging to a concern involved in highly diversified activities — fertilisers, chemicals and petroleum, as well as light meals — were cited by Norsk Hydro as a reason for not hiving off its aluminium activities to create a new company owned 50/50 by itself and ASV — the solution favoured by the latter. Instead, it wanted to buy a 90 per cent stake in ASV and bring it under the Hydro corporate umbrella. Then, it pointed out, Hydro's other sectors could "carry" aluminium during the metal's almost inevitable bad years, now and then.

Although both concerns recognised the benefits of joining forces and although the Government (which owns a controlling stake in Hydro) was urging them to reach agreement, the issue of ownership structure proved insuperable—at any rate for the time being.

Even if a Hydro-ASV merger had been achieved, the problem of finding secure outlets for enormous tonnages of metal would have remained. A partnership would perhaps have been in a stronger position to tackle it as it is, the two must find separate solutions.

Now, for ASV, two main options appear to be open. One is a co-operation deal with a major aluminium group within the EEC—main market for the concern's primary metal. This could raise political problems if, as is quite possible, the prospective partner should demand a stake in ASV in exchange for an agreement.

Much controversy surrounded the sale of a 50 per cent stake in the group to Alcan, in the 1960s. It was felt inappropriate that a multinational should benefit from investments funded by Norwegian taxpayers—not to mention Norway's cheap hydro power. The buy-back was completed—many claim at a loss to Norway—only six years ago.

Another possibility would be to buy downstream facilities in potential markets. The cash is there; after last year's record profits, liquid reserves are described as "ample," although the group will not put a figure on them.

One such purchase was finalised in April this year, when ASV bought Century Aluminium, a leading UK producer of aluminium profile. The company, with two manufacturing plants (in Scotland and England), a workforce of 330, and turnover last year of nearly £30m, makes 15,000 tonnes of profiles annually—a modest, but welcome additional market for ASV's primary metal.

While the concern's downstream activities take less than a third of its metal production, they accounted last year for almost 40 per cent of its total sales and employed around 3,000 of its 7,000 labour force, in Norway and abroad. Wholly-owned offshoots in Norway, Sweden, Denmark and the UK, make a wide range of semi-finished and finished products.

The latter include aluminium cargo containers, road signs, motor car wheels, cladding for buildings (including offshore platforms), kitchenware, foil, tubes and spray containers. In addition, ASV has stakes of from 45 per cent to 55 per cent in three Norwegian companies making respectively, high tension cables, aluminium profiles and high-speed catamaran passenger ferries.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday October 30 1985

KKR lifts buyout offer for Beatrice to $5.12bn

BY PAUL TAYLOR IN NEW YORK

KOHLBERG Kravis Roberts (KKR), the Wall Street investment firm, yesterday sweetened its cash-and-paper leveraged buyout bid for Beatrice Companies, the U.S. food and consumer products group, by $2 a share to $47 a share, or a total of $5.12bn.

KKR had been widely expected to improve its original $45-a-share or $4.91bn offer for Beatrice, made two weeks ago after Beatrice's board unanimously rejected the bid, terming it "inadequate and not in the best interest of Beatrice shareholders."

Under the terms of the revised offer, the $40-a-share cash element of the bid remains unchanged but KKR has raised the value of preferred stock to be offered in conjunction with the cash to $7-a-share from $5 a share for each of Beatrice's 109m outstanding shares.

In the immediate aftermath of the initial KKR bid, Wall Street speculated that the investment firm would be forced to raise the offer if it were to win Beatrice board approval – or head off a possible rival bid from elsewhere.

Beatrice's board, which is being advised by Salomon Brothers and Lazard Freres, was reportedly told before rejecting the initial KKR offer that it could expect the bid to be raised, perhaps to between $48 and $50 a share. That would be more in line with most estimates of the break-up value of the conglomerate, whose brand name products include Tropicana orange juice, Max Factor cosmetics, Playtex underwear, Samsonite luggage, the Swift/Hunt-Wesson food business and Avis car hire.

Wall Street analysts have also noted that Beatrice's rejection of the initial KKR bid was couched in terms which appeared to innite a higher offer. If the bid were accepted, key Beatrice managers would be offered an equity stake in the new private company under the chairmanship of Mr Donald P. Kelly, the former chairman of Esmark, which was acquired by Beatrice last year.

Beatrice, disclosing the raised KKR bid yesterday, said its board would meet to consider the new offer but gave no details of the timing of such a meeting.

Xerox in loss after $164m charges

By Paul Taylor in New York

XEROX, the U.S. office equipment group, yesterday posted a $15m, or 28 cents a share, third-quarter loss after taking previously announced charges totalling $164m related to the restructuring of its Crum and Forster insurance subsidiary.

The loss compares with net earnings of $81m or 72 cents a share in 1984 and follows the announcement of measures to strengthen the insurance operations, including bolstering the reserves of one Crum and Forster unit and phasing out the financial guarantee operations of another.

Third-quarter revenues grew marginally to $2.12bn from $2bn a year earlier.

For the first nine months, Xerox's net earnings were $319m or $2.95 a share, up from $313m or $2.79, in the 1984 period on revenues which increased to $8.21bn from $8.02bn.

Mr David Kearns, chairman and chief executive said income from the group's reprographics and information systems business increased by 15 per cent in the third quarter to $71m from $62m.

He said there had been "good marketplace activity" in the quarter and that operating profit margins substantially improved as a result of a significant increase in sales of copier/duplicator equipment and productivity gains.

Crum and Forster produced $7m in income from continuing operations in the third quarter – excluding a $67m charge related to strengthening the reserves at the insurance subsidiary's I. W. Biegler unit – and $35m in the nine-month period compared with $4m and $18m in the respective 1984 periods.

Dismay at D-Mark calendar

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NEWS of a record DM 7.475bn calendar of new foreign bonds in November sent an already weak D-Mark bond market reeling yesterday, with traders saying the amount was far too much for the market to absorb at a profit.

The Bundesbank announced that 36 issues were planned, including 23 fixed-rate bonds for a total of DM 3.615bn, nine floating-rate notes for DM 3.55bn, as well as two zero-coupon issues, one dual-currency bond and one bond with warrants attached.

Fears abounded that such a large volume would inevitably include issues by weaker names as well as from regular borrowers with whom the market is already sated, making the paper even harder to place.

Publication of the calendar also unleashed a wave of criticism against the Bundesbank, with claims that it has lost control over the market since the liberalisation measures introduced in the spring.

However, Prof Claus Köhler, a Bundesbank director responsible for the capital markets, said he was still happy with the notification system now in operation. Germany could afford to export capital because of its current-account payments surplus and there were no reasons of monetary policy to limit new issue activity, he said.

PRICES of Japanese government bonds rallied yesterday for the first time for seven sessions, but dealings remained volatile and restricted largely to securities houses, Our Financial Staff writes.

The benchmark 68th 10-year issue which carries a 6.8 per cent coupon, closed 93 basis points higher at 101.89. At that level, it yielded 6.47 per cent, against the previous day's 6.63 per cent.

Selling pressure also eased in the new bond futures market, although the December contract continued 88 basis points lower to 95.75, where it yielded 6.71 per cent compared with 6.56 per cent.

It was up to the banks themselves to decide whether they had the placing power to launch so many issues. Theoretically there was no reason why the market should not absorb them, provided they were launched at proper market rates, he added.

But bankers believe such a large volume of new issues is bound to drive up yields on foreign bonds. Already yesterday the Inter-American Development Bank launched a DM 250m, seven-year issue bearing a coupon of 7⅛ per cent at par through Deutsche Bank.

A new reference coupon of 7 per cent has also been set in the domestic market with the launch of a DM 800m issue for the federal railways.

In the secondary market, prices fell yesterday by about a full point with some recent issues now trading at heavy discounts of three or four points. Also launched yesterday was a small DM 30m, five-year issue with equity warrants for Zenchiku, the Japanese meat importer, which is led by Bayerische Vereinsbank, with an indicated coupon of 3 per cent.

Other continental markets were also generally weaker, especially the European currency unit sector, where the EEC is raising Ecu 100m over eight years through an 8⅛ per cent bond at par led jointly by Deutsche Bank and Dresdner Bank. Dealers in Switzerland said prices there were crumbling and the latest issue from the IADB shed a further ½ point on its second day of trading. Philips Lamp launched a SwFr 200m, 12-year issue at 5⅛ per cent and par through Swiss Bank Corporation.

By contrast, the dollar sector recovered slightly, although, there, attention continues to concentrate on floating-rate issues, with two more launched yesterday. EBC-Amro made its debut under its new name with a $125m, seven-year issue for European American Bank, which bears interest at a margin of 1/16 over three-month Libor (London interbank offered rate).

Istituto Bancario San Paolo di Torino launched a $100m seven-year issue through Morgan Stanley carrying interest at 1/16 per cent over the three-month Limean or mean of the bid and offered rate for interbank deposits.

A lone fixed-rate issue came from Gibraltar Savings, the U.S. savings and loan institution. Nomura is leading the $115m bond, which is collateralised with U.S. government paper and bears interest at 10⅞ per cent over seven years with an issue price of 100⅞.

Other new issues yesterday included a Fl 200m, 10-year issue for the European Investment Bank with a coupon of 7.25 per cent and open issue price through Amro and Algemene Bank Nederland, as well as a LuxFr 300m private placement for Astra Pharmaceutical Products, guaranteed by its Swedish parent. The five years and five months paper carries a coupon of 9.25 per cent and a 100¼ issue price with Banque Générale as lead manager.

Downturn for Mitsubishi Electric

By Yoko Shibata in Tokyo

MITSUBISHI ELECTRIC and Oki Electric, two Japanese communication and electronics companies, suffered profit falls in the half-year to September, affected by the slide in world semiconductor prices and the yen's sharp appreciation.

Parent company pre-tax profits for Mitsubishi Electric declined 19.4 per cent to Y28.25bn ($132.6m) and net earnings were 14.7 per cent lower at Y12.28bn. Turnover of Y882.54bn showed an increase of 0.9 per cent and the dividend is none the less being raised to Y4 from Y3.50.

Sales of consumer products rose by 12.1 per cent to account for 30 per cent of the total turnover, helped by strong demand for air conditioners and television sets. Industrial products and automotive equipment sales increased by 9.2 per cent.

Its information and communication systems and electronic devices sector experienced a 13.1 per cent fall to account for 29.6 per cent of the total turnover.

Exports dipped 4.2 per cent overall to represent 27.8 per cent of all business.

For the full year to next March, the company is forecasting pre-tax profits at Y60bn, down 23 per cent, and net earnings at Y26.4bn, down 23.8 per cent, on turnover of Y1,890bn, up 2 per cent from the previous year.

Oki suffered a fall of 44 per cent in pre-tax profits to Y4.21bn, while at the net level earnings were down 34.1 per cent to Y2.15bn. Sales totalled Y178.19bn, up 3.4 per cent.

Aborted merger puts TWA into the red

BY TERRY DODSWORTH IN NEW YORK

TWA, the U.S. transatlantic airline that was recently acquired by an investor group led by Mr Carl Icahn, lost money in the third quarter because of a $42.9m charge against the termination of its merger agreement with Texas Air.

Net losses amounted to $13.5m, or 56 cents a share, against earnings of $91.3m, or $2.61 a share, in 1984. After the payment of preferred dividends, the loss increased to $19.5m, against net profits of $85.2m last year.

Operating revenues increased marginally to $1.06bn, compared with $1.05bn in the same quarter last year, while over the first nine months, revenues increased to $2.89bn from $2.69bn.

Nine-month losses amounted to $87.8m, or $2.57 a share, after the payment of preferred dividends, against a profit of $41.2m, or $1.27 a share last year.

Mr Richard Pearson, president, said that in addition to the impact of merger-related activities, the third-quarter figures were harmed by concern with terrorist activities overseas, while domestic revenues were diluted by industry discounts and traffic softening.

He added that cost reductions resulting from agreements with several of TWA's unions would help to return the company to "substantial profitability" in 1986, but said there would also be a substantial loss this year.

Agreements on reducing wages and streamlining working practices were part of a deal arranged between Mr Icahn and the unions representing TWA pilots and technicians in return. Mr Icahn backed the takeover of the group, thwarting the alternative offer from Texas Air, which the unions opposed.

Stronger exports boost Nissan profits by 7%

BY CARLA RAPOPORT IN TOKYO

NISSAN, Japan's second largest motor manufacturer, lifted pre-tax profits 7 per cent in the six months to September, largely because of increased exports.

The company's sales increased by 6.7 per cent to Y1,939bn ($9.1bn) and pre-tax profits were up 7 per cent to Y86.5bn from Y80.9bn last year. Net income was 3 per cent ahead at Y42.8bn against Y41.6bn.

Vehicle exports topped Y1,000bn in the six months, up 10.8 per cent over the same period last year but domestic sales were unchanged at Y827bn. Exports overall for Nissan were up 8 per cent, while domestic sales were almost static.

Operating margins improved slightly in the half-year to 2.62 per cent from 2.47 per cent, pushing operating income to Y50.8bn. Net income a share was Y19.66 against Y19.53.

The yen's appreciation against the dollar has prompted Nissan to revise its earnings' forecast downward for the full year, to between Y150bn and Y155bn at the pre-tax level. It expects the sales to be up 6 per cent at Y3,830bn.

Nissan says it plans to raise export prices if the yen remains below Y220 to the dollar.

Nissan's overseas vehicle production rose 27.3 per cent in the half year to 156,462 units from 122,868.

The main increases were at the Spanish and U.S. plants, while its Italian plant showed a 70 per cent drop in production.

Schindler buys Nippon Elevator stake

By William Dullforce in Geneva

SCHINDLER, the Swiss lift manufacturing group, has bought a 30 per cent stake in Nippon Elevator Industry of Japan. The move marks its first venture into the home territory of some of its keenest competitors on the world market, such as Mitsubishi, Hitachi and Toshiba.

Jardine Matheson, the British trading group with which Schindler has been co-operating in its drive into Far Eastern markets, simultaneously bought 10 per cent of the Nippon Elevator stock. No prices are being disclosed.

Nippon Elevator is a small producer and has no exports. However, Schindler, the world number two lift manufacturer after Otis of the U.S., plans to make it a bridgehead for introducing its latest sophisticated equipment to the Japanese market.

The Swiss group, which has annual sales of about $880m, set up a joint venture in China five yeas ago.

It has bought its way into a substantial part of the Australian market and also does business in Hong Kong, Singapore, Malaysia, Taiwan and the Philippines.

Doubt over Siemens' bid for vehicle parts group

BY JOHN DAVIES IN FRANKFURT

SIEMENS, the West German electrical and computer concern, is seeking to take control of Pierburg, which makes carburettors for motor vehicles, but it is not clear whether the deal can go ahead.

The deal appears to hinge on whether Robert Bosch, the motor vehicle components group, would be willing to sell its 20 per cent stake in Pierburg.

Pierburg, based at Neuss, near Düsseldorf, has annual sales revenue of about DM 500m ($189m).

Siemens is understood to have reached basic agreement to buy out the Pierburg family members who own about 80 per cent of the business.

It has also applied to the Federal Cartel Office in Berlin for approval to take control of Pierburg.

So far, the cartel authorities have not officially given their view of the proposed takeover, but it is thought that they might block a deal that would make Siemens and Bosch partners in Pierburg. It is understood that a 100 per cent takeover by Siemens would have more chance of Cartel Office approval.

Siemens has indicated it is hopeful of buying out Bosch as well as the Pierburg family. But Bosch said yesterday that no negotiations between it and Siemens had taken place.

Bosch declined to comment further and it is not clear that it would agree to sell

Setback for German banks' leasing unit

By John Davies in Frankfurt

DEUTSCHE Anlagen-Leasing (DAL), the West German leasing concern, is making further substantial risk provisions in a new setback for its bank owners.

Its 1984 accounts are not yet complete, but risk provisions are expected to reach about DM 300m ($113.6m).

This comes on top of heavy write-offs and risk provisions in the previous two years, when DAL reported net losses totalling more than DM 1.4bn.

Until recently, it was thought that DAL had overcome its problems, which have had considerable repercussions on the five banks which own it.

The latest blow is attributed to a worsening in the likely value of some leasing assets, as well as problems in operations abroad.

DAL's shareholders are Westdeutsche Landesbank (WestLB) (30 per cent), Landesbank Rheinland-Pfalz (26.5 per cent), Bayerische and Hessische Landesbanks (16.7 per cent each) and Dresdner Bank (10 per cent).

The DAL crisis led to the abrupt departure of some of its top managers two years ago. Soon afterwards, DAL and other problems touched off the departure of two board members at WestLB.

The head of Landesbank Rheinland-Pfalz resigned last year after DAL became a local political issue.

DAL's owners have been forced to step in to cover its losses, although their individual burdens are based not just on their share stakes but also on the extent to which they have been involved in particular leasing assets, which have lost value.

Texas Instruments

THE total workforce of Texas Instruments is 78,000, not 7,800, as reported on October 28 because of an error in transmission.

Japanese robot maker shows 22% advance

BY YOKO SHIBATA IN TOKYO

FANUC, the Japanese maker of machine tool systems and industrial robots, lifted pre-tax profits by 22.7 per cent to Y31.67bn ($148.3m) in the half-year to September.

Reflecting rapid automation in the machine tool industry, Fanuc's mainstay products fared well. Net profits for the parent company were 21 per cent higher at Y14.76bn, on turnover of Y90.46bn, up 32.9 per cent.

On a per-share basis, net earnings were Y95.77 compared with Y111.65, reflecting the conversion of bond warrants.

Sales of its computerised machine tool systems rose 28.6 per cent to account for 80.4 per cent of total turnover. Robot sales jumped 68.3 per cent, representing 11.6 per cent of the total – a rise attributable chiefly to vigorous orders from GM Fanuc Robotics, its joint venture with General Motors of the U.S.

Direct exports rose by 47.5 per cent to account for 31.1 per cent of all sales. Indirect exports, through Japanese machine tool makers, rose 18 per cent, taking the total to 40.7 per cent. The company increased its dividend by Y1 to Y7.50.

In the half-year to March 1986, Fanuc sees a slowdown in demand for its numerically controlled machine tool systems, as its customer manufacturers begin to suffer the negative impact of the yen's steep appreciation. However, robot sales to GM Fanuc Robotics are expected to grow.

Fanuc's capital outlay for the full year its intended to total Y36bn, including a Y25bn investment in a second robot factory. This is expected to increase the depreciation burden to Y6bn for the full year. The company says it will maintain its pre-tax profit-to-sales ratio at 35 per cent.

Pirelli and IBM to make security systems

BY ALAN FRIEDMAN IN MILAN

PIRELLI and IBM are to launch a 50-50 joint-venture company in the security systems sector. The leading Italian tyre and cables group said yesterday the initial capital of the company, to be called Boselli Sistema, would be L8bn ($4.5m).

"We intend to supply cable technology, making use of our fibre-optics expertise, and IBM will provide the data-processing side of the business," Pirelli said.

The two multinationals will assign 130 technical staff to the venture, which will aim initially at the Italian market and later at a broader European market.

The venture, between Pirelli's Italian operating subsidiary – Industrie Pirelli – and IBM Italia, will incorporate most of the activities of a Pirelli security systems division called Enrico Boselli. That business had turnover of about L10bn last year.

The idea is to take into the new company Enrico Boselli's security systems business and to develop research and installation of services such as fire detection, energy consumption control and office building management.

Pirelli said the venture would employ high-technology optronics systems that it had been developing. Pirelli has recently taken equity stakes in a number of U.S. and British fibre-option cable companies involved in data transmission.

Those include share acquisitions in Litel and David Systems in the U.S. and Focom Systems in the UK.

The overall Pirelli strategy is to expand its cables business – which last year accounted for 43 per cent of aggregate group turnover of L6,800bn beyond manufacturing and into applied systems.

Matra warns on cost of restructuring

BY DAVID MARSH IN PARIS

MATRA, the French state-controlled defence and electronics group, says group profits may fall this year because of the continued cost of restructuring parts of its diversified operations.

First-half figures show that the parent company achieved a net profit of FFr 32m ($4m) because of a tax credit of FFr 43.9m under the "carry back" regime which allows companies to impute past losses against their present tax liabilities.

The Matra parent company turnover fell to FFr 2.4bn from FFr 2.6bn.

Although the company gave no figures for the consolidated group, it said in a communiqué that subsidiary companies were generally improving. Better performances than expected in its vehicle and automation activities were offset by worse results at its car electronics company Solex, as well as in computers and components.

It added that "extra charges" generated from restructuring might bring fresh burdens at the end of the year that might lower overall results from 1984, when the group made net profits of FFr 68.5m on turnover of FFr 13.7bn.

Matra has been struggling with difficulties for several years in subsidiaries outside the mainstream defence activities concentrated on the parent company. Results have repeatedly fallen short of projections by M Jean-Luc Lagardère, the chairman, who forecast in June that 1985 results would be better or equal to last year's.

Matra's share price has been under pressure on the Paris bourse during the last few days. Matra disappointed investors last year when profits, although well up from the lows of FFr 34m in 1983 and FFr 23m in 1982, fell well short of the FFr 100m earlier forecast

Last year's results, like the first-half parent company's performance this year, would have been a loss but for substantial "carry back" tax credits.

The company, which has suffered from too heavy diversification in the past, is trying to concentrate on the military, space, telecommunications and components sectors. In the latter sphere, its joint semiconductor subsidiary with Harris of the U.S. has been performing below expectations this year.

Matra has been trying to shed peripheral businesses through a series of divestments

INTERNATIONAL COMPANIES & FINANCE

Arco stages recovery after reorganisation

BY TERRY DODSWORTH IN NEW YORK

ATLANTIC Richfield, the U.S. oil company which has been engaged in a wide-ranging reorganisation, announced a sharp turnround in profits in the third quarter, when it earned $403m against a loss of $519m a year earlier.

The net income figures, the equivalent of $1.98 a share compared with the loss of $2.01 a share in 1984, stemmed from a combination of improved margins, reduced expenditure and lower operating and depreciation costs resulting from the restructuring.

On a per-share basis, where the group's performance was helped by its share buy-back programme, the results reflected a 61 per cent increase from continuing operations before unusual items, the company said. By the end of the third quarter, the group had spent approximately $3.2bn of a planned $4bn repurchase project.

Sales and operating revenues for the quarter amounted to $5.5bn, down from $6bn in 1984, while over the first nine months revenues fell to $17bn from $18.6bn. In the first nine months, the company recorded a net loss of $344m, or $1.55 a share, compared with a profit of $282m, or $1.09.

Unocal, the California-based oil company which fought off an attempted takeover by Mr T. Boone Pickens earlier this year, experienced a sharp fall in earnings in the third quarter, due to takeover-related expenses and increased interest cost on debt raised as part of the defensive action.

Net earnings, which also reflected a $91m gain from the sale of assets, fell to $158.7m, or $1.37 a share, from $181.2m, or $1.04. Because of the replacement of equity by debt, the average number of shares fell to 116.2m from 173.1m.

Revenues in the quarter rose to $3.04bn from $2.86bn, while in the first nine months of the year they increased to $8.72bn from $8.57bn. Net profits in the nine-month period dropped to $459.8m, or $3.17, from $547m, or $3.15.

Iscor hit by austerity measures

BY JIM JONES IN JOHANNESBURG

ISCOR, the state-owned South African iron and steel producer, suffered a two-thirds reduction in pretax profit in financial 1984-85, even though its steel sales tonnage increased by 5 per cent.

Steel sales increased to 5.17m tonnes to June 3 1985 from the previous year's 4.91m, largely because exports were increased to 2.31m tonnes from 1.5m tonnes and turnover rose to R3.12bn ($1.2bn) from R2.92bn.

Pre-tax profit, calculated after stringent depreciation provisions, fell to R32.8m from R95.7m.

Foreign-exchange losses on overseas debt were R94m, of which R33m was charged against the year's profits and R61m was deferred.

Mr Floors Kotzee, the chairman, said domestic demand for steel products fell by 13 per cent as austerity measures introduced last year curbed sales of consumer durables.

On the other hand, steel exports increased by 54 per cent, which allowed the company to maintain its steel plants at full-capacity operations.

Mr Kotzee warned that export markets remained difficult to penetrate in the face of competition from steel-producing countries whose access to the U.S. market had been limited.

Nevertheless he believed that the rand's weakness would give Iscor a competitive export edge and allow it to achieve this year's planned export sales increases, despite quota limitations in Europe and agreed limitations on sales to America.

Iron-ore exports through Saldanha Bay port dropped to 7.9m tonnes from 10.4m tonnes, in part because low-priced sales made in the previous year were not continued.

Analysts believe Iscor's iron-ore exports are being hurt by competition from Brazil's Carajas iron mine, which produces a better product, and limitations on the size of vessels that can dock at Saldanha.

Iscor is widely expected to be among the first parastatals to be sold to the private sector. However, that is unlikely before profits recover, even though the Government is eager to acquire additional income without raising taxes.

Asarco reduces debts despite quarterly loss

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

ASARCO, the big U.S. smelter and refiner of non-ferrous metals, reports a third-quarter loss of $12.1m, but its cash flow in the period was sufficient to allow a further reduction in the total debt to $469m. That compares with a debt peak of $617m in February.

Although the latest quarter's loss is below those of the previous two quarters, it still makes a nine-month loss of $52.1m. For the first nine months of 1984 the loss amounted to $69.8m and included an extraordinary pre-tax charge of $38m, which reflected the decision to close down the company's copper smelter at Tacoma, Washington.

As with other natural resource majors, Asarco's results have been depressed by low metal prices, notably for silver, copper, lead and zinc. Similarly affected have been the affiliated companies in Australia (the 44 per cent-owned MIM Holdings), Mexico and Peru.

Equity-accounted results of those companies for the first nine months of this year showed a loss of $5.3m compared with equity earnings of $26.9m in 1984. The results include currency translation gains of $17.9m against $22.7m a year ago.

Phelps Dodge, the leading U.S. copper producer, is still keeping its head above water despite poor metals prices. Due to severe cost-cutting coupled with increased sales, the company earned $6.4m in the third quarter

Edgars profits suffer severe setback

By Our Johannesburg Correspondent

A SHARP contraction in personal disposable income has severely affected the first-half profits of Edgars, the South African clothing and fashion store chain.

First-half sales rose to R342m ($132m) from R329m in the half year ended September 30 1985. That represents a real decline of 10 per cent and led to a 25 per cent fall in operating profit before tax and interest to R24.7m from R33m.

The board says recent unrest has particularly affected the trading of the Sales House chain, which mainly serves the black and Coloured communities. The directors believe this financial year's second-half consumer spending will be slightly better than the poor levels of last year's second half but that the year's total earnings will be less than last year's.

First-half earnings fell to R3.75 a share from R6.12 and the interim dividend has been cut to R1.26 from R1.85. Last year as a whole, earnings were R9.40 and a total dividend of R5.15 was paid.

N. AMERICAN QUARTERLY RESULTS

BORDEN
Dairy products

Third quarter	1985 $	1984 $
Revenue	1.18bn	1.14bn
Net profits	57.1m	51.2m
Net per share	1.11	0.95
Nine months		
Revenue	3.46bn	3.43bn
Net profits	138.1m	135.6m
Net per share	2.66	2.51

DOFASCO
Steel

Third quarter	1985 C$	1984 C$
Revenue	511.7m	474.1m
Net profits	46.3m	40.9m
Net per share	0.77	0.93
Nine months		
Revenue	1.5bn	1.3bn
Net profits	140.4m	126.6m
Net per share	2.37	2.03

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for October 29.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amex Credit 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Atlant Richfld 10⅛ 00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com 11¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia Com 11 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pac 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chevron U.S.A. 12⅛ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Coca Cola 11¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.26
Denmark Kingdom 11¼ 89	100	102¾	103¼	0	−0⅜	10.15
Denmark Kingdom 11½ 90	100	103⅜	103⅞	0	−0⅜	10.42
Denmark Kingdom 11½ 92	100	103	103½	+0⅛	−0¼	10.74
E.D.F. 10 95	225	95⅜	95⅞	+0⅛	−0¼	10.73
E.E.C. 9⅞ 92	350	97⅝	98⅛	+0¼	−0¼	10.19
E.E.C. 11⅛ 90	100	102⅞	103⅜	+0⅛	−0⅜	10.15
E.I.B. 12 95	200	106½	107	+0⅛	−0⅜	10.80
Eli Lilly 10¼ 92	150	100½	101	+0⅛	+0⅛	10.09
Export Dev Corp 10 90	100	99⅝	100⅛	+0⅛	−0⅛	10.00
Export Dev Corp 12 89	100	106½	107	+0⅛	+0⅛	9.88
Fed Dep Stores 10⅛ 95	100	96⅝	97⅛	+0⅛	−0¾	10.64
Ford Motor Cred 11⅞ 90	100	102½	103	−0⅛	−0¼	10.51
Ford Motor Cred 11⅞ 92	100	102⅞	103⅜	+0¼	−0½	11.02
Ford Motor Cred 12 95	100	104⅛	104⅝	−0⅜	−0⅞	11.29
Gen Elec Credit 10¾ 00	200	100⅝	101⅛	+0⅛	−0⅛	10.12
GMAC 10¼ 89	200	100⅜	100⅞	+0⅛	−0⅛	9.99
IADB 10½ 95	150	98⅜	98⅞	+0⅛	+0⅛	10.72
IBM Credit 10⅜ 2000	300	101⅜	101⅞	+0⅜	−0⅜	10.14
Kellogg Company 10⅞ 90	100	102⅜	102⅞	+0⅛	−0¼	10.05
Kellogg Company 11¼ 92	100	103⅞	104⅜	+0¼	+0⅛	10.30
L.T.C.B. 12⅞ 91	100	108¼	108¾	+0⅛	−0⅜	10.85
Macy Cred Corp 11⅜ 95	100	100⅛	100⅝	0	−1½	11.06
Mitsui Trust 11⅜ 90	100	102¼	102¾	−0⅛	−0½	10.65
Pillsbury Co. 10¼ 93	100	95¼	95¾	+0¼	+0¼	10.92
Pru Realty secs 12⅛ 95	540	106	106½	+0⅛	−0⅛	10.99
Qantas Airways 10⅛ 95	140	98¼	98¾	+0⅜	−0¾	10.67
Quebec Hydro 11½ 92	100	105⅛	105⅝	+0¼	−0¼	10.38
Queensland Govt 10¼ 95	100	96⅝	97⅛	0	−0⅝	10.77
Ralston Purina 11⅞ 95	150	104	104½	−0⅛	−0¾	10.98
Ralston Purina 12¼ 89	100	107⅜	107⅞	0	−0⅛	10.30
Saskatchewan 10¾ 92	100	101⅜	101⅞	−0⅛	−0⅝	10.30
Saskatchewan 11⅞ 89	100	105⅝	106⅛	0	−0⅝	10.03
Statoil 10 90	170	99⅛	99⅝	0	−0¼	10.15
S Wales Trsy 11¾ 90	150	104¾	105¼	+0⅛	−0⅜	10.27
Swed Exp Cred 10 92	100	97⅝	98⅛	−0⅛	0	10.44
Swed Exp Cred 12¾ 89XW	100	106¾	107¼	0	−0¼	10.43
Sweden Kingdom 10⅞ 90	300	102⅛	102⅝	+0¼	−0⅜	10.16
Sweden Kingdom 11½ 89	200	104⅛	104⅝	−0⅛	−0¾	10.13
Sweden Kingdom 11¾ 94	100	105	105½	−0⅛	−0⅜	10.80
Tenneco Corp 10¼ 95	150	99½	100	+0⅛	−0⅝	10.77
Texaco Capital 10 95	300	93½	94	+0¼	−0⅜	11.06
Texaco Capital 11⅛ 95	250	100⅝	101⅛	+0⅛	−0½	10.95
United Tech Fin 10⅛ 95	100	98¾	99¼	−0⅛	−0⅜	10.78
Victorian Rep 11⅛ 92	150	103⅝	104⅛	+0¼	−0⅜	10.73
World Bank 10⅛ 95	300	97¼	97¾	+0⅛	−0½	10.53
World Bank 12⅞ 94	200	111¼	111¾	0	−0⅝	10.78

Average price change On day +0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	102⅞	103⅜	−0¼	−3	7.48
Austria Republic 7⅛ 94	200	101⅞	102⅜	−0½	−1½	7.25
Baxter Travenol 7¼ 94	200	100⅛	100⅞	−0¼	−1½	7.16
Copenhagen 7⅜ 95	150	99⅛	99⅞	−0⅜	−2¼	7.44
Credit National 8⅛ 94	200	103½	104	−1	−3	7.49
E.I.B. 7¼ 94	300	99¾	100½	−0⅝	−1⅞	7.22
Escom 8 92	150	94⅝	95⅜	+1	−2	9.04
Ex-Im Bk Korea 7⅝ 90	100	99⅝	100⅛	−0¼	−0⅞	7.64
Ferrovie Dello Stato 8 91	100	103⅛	103⅞	−0⅛	−0⅝	7.16
Finland Republic 7 92	200	99⅛	99⅞	0	−1½	7.00
Gould Int Fin 7⅜ 91	100	101⅝	102⅜	0	−1¼	7.16
Ireland 8⅛ 92	150	103⅞	104⅝	0	−1	7.27
Japan Fin Corp 7⅛ 91	100	102¾	103½	−0⅝	−2⅛	6.93
Mitsubishi Hvy 3½ 89WW	300	160⅛	161⅞	+0⅝	−10½	−10.46
Mitsubishi Hvy 3½ 89XW	300	90¾	91½	+0⅛	−0⅝	6.46
Mitsubishi Met 3⅛ 89WW	100	106⅛	107⅛	−0⅜	−0¾	1.46
Mitsubishi Met 3⅛ 89XW	100	88⅞	89⅝	−0⅛	−0⅝	6.14
Quebec Hydro 7⅛ 95	200	99⅛	99⅞	−0½	−2	7.19
Renfe 7¾ 95	100	101⅛	101⅞	−0½	−1¼	7.51
Soc Cent Nuclear 7¾ 95	150	101⅜	102⅛	−0⅛	−0½	6.98
Societe Cent Nuclear 8 91	100	105⅝	106⅜	−0⅜	−0⅝	6.69
Sth African Tran 7⅛ 92	100	92⅞	93⅝	−0⅜	−1¼	8.96
World Bank 7 95	600	98⅝	99⅛	−0⅜	−1⅞	7.16
World Bank 7¼ 89	100	102⅞	103⅝	−0¼	−0⅜	6.60

Average price change On day −0¼ on week −2¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅛ 94	130	†100	100¼	0	0	5.38
Brit land Comp 6⅛ 99	75	†104½	105	−0⅝	−0⅞	5.90
Council of Europe 6 92	120	†102½	102¾	+0¼	0	5.54
Creditanstalt 5½ 94	100	†99¼	100	−0½	−0½	5.55
Deutsche Bk Fin 5⅛ 95	100	†102	102¼	−0½	−0¾	5.06
E.I.B. 5⅞ 94	120	†103	103¼	+1	+1	5.43
Gen Occidentale 4½ 94	80	†102¼	102½	+0¼	−0¼	4.18
Glendale Fed.S&L 5½ 95	100	†97½	97¾	0	−0¼	5.82
Ind Fund Fin 5¾ 94	40	†100¾	101½	−0¼	0	5.59
Int-Am Dev Bk 6⅛ 94	120	†103	103¼	−0¼	0	5.67
N.Zealand steel 5¾ 98	70	†100	100¼	0	0	5.73
Oberoi Kltwk 5⅛ 95	100	†99½	99¾	0	0	5.42
Olivetti Intl 5½ 95	100	†100¾	101	+0¼	+0¼	5.38
Pepsico 5¼ 95	130	†99¾	100	−0¼	−1¼	5.26
Ralston Purina 5⅛ 94	125	†100½	100¾	−0½	−0½	5.20
Santos Finance Ltd 6 94	130	†99¾	99	−0¼	−1¼	6.17
Tokyo Elec Pwr 5½ 93	120	†101	101¼	−0¼	+1	5.30
Tokyo Metropolis 5¼ 94	80	†100½	100¾	0	0	5.16
World Bk 5¾ 94	150	†101¾	102	−0¾	−0¼	5.46

Average price change On day −0⅛ on week −0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 8¼ 90	15	99½	99¾	0	−1¾	7.19
Gdyr Tr & Rubber 7⅛ 95	25	98¼	98¾	+0⅜	−1⅝	7.24
Mort Bk Denmark 7 92	10	98⅛	98⅝	+0¼	−2⅝	7.33
New Brunswick 7⅛ 95	10	99⅞	100⅜	+1¼	−1⅞	7.10
Swed Exp Cred Zero 90	14	71⅛	71⅞	+1	−1⅛	7.07

Average price change On day +0½ on week −1¾

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aust Gas & Light 13 92 $A	50	96⅞	98¾	−0¼	[illegible]	[illegible]
GMAC 12⅞ 88 A$	35	98¾	97¾	−0⅜	[illegible]	[illegible]
Kellogg Co. 12¾ 89 A$	30	96⅜	97⅜	0	[illegible]	[illegible]
Midland Int'l 13¾ 90 A$	50	99⅛	100⅛	0	[illegible]	[illegible]
Amax 10¾ 90 C$	50	99⅞	100⅜	+0⅛	[illegible]	[illegible]
CIBC 10¾ 90 C$	75	†101	101½	−0¼	[illegible]	[illegible]
Gestetner Fin 11¼ 95 C$	75	98⅛	98⅝	+0⅛	[illegible]	[illegible]
Hamil-West'n 10¾ 95 C$	25	†94	94½	−0⅛	[illegible]	[illegible]
Montreal 11⅛ 95 C$	75	101¾	102¼	0	[illegible]	[illegible]
Sears Acc. Co 10⅛ 92 C$	75	†95¾	96¼	−0¼	[illegible]	[illegible]
Winnipeg City 10⅛ 90 C$	50	100¾	101¼	+0⅛	[illegible]	[illegible]
Chrysler Fin Corp 17 90 NS	65	92⅛	93⅛	0	[illegible]	[illegible]
K.O.P. 10½ 91 NS	80	89⅛	90⅛	0	[illegible]	[illegible]
Privatbanken 16¾ 88 NS	50	96⅛	97	0	0	[illegible]
B.N.P. 8⅝ 95 ECU	75	98¼	99	−0⅝	[illegible]	[illegible]
IBM Wld Trade 8¾ 90 ECU	150	99⅜	99⅞	−0⅝	[illegible]	[illegible]
Sec Pac Aust 8¾ 90 ECU	100	98	98½	−0½	[illegible]	[illegible]
Honda Motor WW 3⅛ 90 FL	100	102⅜	103⅛	−0¼	[illegible]	[illegible]
Honda Motor XW 3⅛ 90 FL	100	88⅞	89⅝	+0⅛	0	[illegible]
Thyssen 7¼ 90 FL	50	101¼	101¾	−0⅛	[illegible]	[illegible]
Wereldhave 7⅞ 90 FL	75	100¾	101¼	−0¼	[illegible]	[illegible]
Wessanen 6¾ 90 FL	50	96⅛	96⅝	0	[illegible]	[illegible]
S.N.C.F. 11 2000 FF	500	100⅛	100⅝	−0¼	[illegible]	[illegible]
Australia Comm 11 92 £	40	99⅞	100⅜	0	[illegible]	[illegible]
BP Capital 10¾ 92 £	50	99⅞	100⅜	+0¼	[illegible]	[illegible]
E.I.B. 11⅞ 90 £	50	100⅛	100⅝	0	[illegible]	[illegible]
GMAC UK Fin 10⅞ 90 £	30	98⅜	98⅞	+0⅛	[illegible]	[illegible]
Imp Chem Inds 11¾ 95 £	75	100½	101	+0⅛	[illegible]	[illegible]
Imp Chem Inds 10¾ 92 £	75	97⅛	98⅜	+0⅛	[illegible]	[illegible]
Mcdonalds 10⅞ 90 £	40	100½	101	0	[illegible]	[illegible]
Mitsubishi Fin HK 11 90 £	50	98⅛	99⅛	0	[illegible]	[illegible]
Privatbanken 11⅞ 92 £	20	100⅞	101⅜	−0⅛	[illegible]	[illegible]
Rank Xerox 11 92 £	40	99⅜	99⅞	−0⅛	[illegible]	[illegible]
Royal Ind 10¾ 92 £	60	97⅝	98⅛	+0⅛	[illegible]	[illegible]
Ster Drug Cap 10⅞ 90 £	30	99¾	100¼	−0⅛	[illegible]	[illegible]
Tricentrol XW 11 92 £	35	98¼	98¾	+0⅛	[illegible]	[illegible]
Trusthouse Forte 11⅛ 90 £	50	99¼	99¾	0	[illegible]	[illegible]
World Bank 11¾ 95 £	100	101⅛	101⅝	0	[illegible]	[illegible]
E.C.S.C. 10½ 94 LF	100	100⅝	101	+0⅛	+0⅛	[illegible]
Nat Lux Alum 10½ 92 LF	600	102¾	104⅜	+0¼	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	†99½	99¾	28/10	[illegible]	[illegible]
BankAmerica O/S 5¼ 96	0⅛	100⅛	100⅝	30/12	8⅛	[illegible]
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.06	[illegible]
B.F.C.E. 5¼ 89	0⅛	100⅛	100⅜	13/12	8⅛	[illegible]
B.N.P. 5¼ 95	0	101⅜	101⅝	19/3	5¼	[illegible]
B.N.P. 5¼ 96 (July)	0¼	99⅞	100⅛	22/1	8¼	[illegible]
B.N.P. 5¼ 99	0⅛	100	100¼	5/6	5¼	[illegible]
Britannia 5 93	0⅛	99⅞	100⅛	8/1	5	[illegible]
C.C.F. 5¼ 97	0	99⅝	99⅞	28/10	[illegible]	[illegible]
Chase Man'tn 5¼ 2009	0⅛	99⅜	100	5/12	8.44	[illegible]
Credit Lyonnais 5¼ 96	0⅛	100⅛	100⅞	11/10	[illegible]	[illegible]
Credit Lyonnais 5 00	0	100⅛	100⅝	18/1	8	[illegible]
E.E.C. 5 90	0	99¾	100	8/1	[illegible]	[illegible]
E.N.E.L. 5 00	0⅛	100	100¼	1/3	8	[illegible]
Iceland 5¼ 00	0⅛	99½	99¾	11/3	8¼	[illegible]
Ireland 5¼ 97	0	99⅞	100⅛	28/10	[illegible]	[illegible]
Ireland 5¼ 99	0	100⅛	100⅜	16/3	[illegible]	[illegible]
Lloyds Bank Perp	0¼	100	100½	9/12	8	[illegible]
Midland Bank Perp 6	0¼	99⅞	100⅜	19/12	8⅛	[illegible]
Nat West Perp A 5¼ S	0⅛	100	100½	8/1	8⅛	[illegible]
Nat West Perp B 5¼ S	0⅛	100⅛	100⅝	18/2	[illegible]	[illegible]
New Zealand 5 97 £	0	99⅞	100⅛	14/11	11.56	[illegible]
Roy Bk Canada 5 2005	0⅛	99¾	100	7/10	8⅛	[illegible]
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.00	[illegible]
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	[illegible]

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Ajinomoto 3 99	4/84	1053.64	124⅞	125⅞	−0¼	[illegible]
Comcast 7 2000	12/85	23.875	†104¾	105¾	+1¼	[illegible]
Fanuc 3¾ 98	1/84	7032.3	106⅝	107⅝	−0⅜	[illegible]
Fuji Hvy Inds 3 2000	8/85	676	95	96	−0⅛	[illegible]
Fujitsu 3 99	5/84	1320.9	93⅛	94⅛	−0⅜	[illegible]
Kumagai Gumi 3½ 2000	3/85	600	157¼	158½	+3⅛	[illegible]
Marui 3½ 99	7/84	1162	136⅝	137⅝	−4	[illegible]
Mitsubishi Elec 2⅞ 00	3/85	422	99⅞	100⅞	−0⅜	[illegible]
Murata 3½ 2000	7/84	2308	111	112	−2⅛	[illegible]
Nippon Elec 2⅞ 2000	1/85	1295	103⅜	104⅝	−1⅜	[illegible]
Nippon Oil Co 3 2000	5/85	923	98¼	99¼	+2¼	[illegible]
Oki Elec Ind 3½ 99	10/84	805	80⅝	81⅝	−2⅛	[illegible]
Orient Leasing 5¼ 98	6/83	2680	†104	106	+0⅛	[illegible]
Sekisui House 3 99	6/84	612	149⅞	151⅛	+3⅞	2.28
Sumitomo Bank 2¾ 2000	9/85	2142	96¾	97⅝	+0¼	[illegible]
Sumitomo Corp 2⅞ 99	5/84	593	130⅛	131⅛	+1⅛	[illegible]
Taiyo Yuden 3¾ 2000	3/85	1078	†87	88	−3	[illegible]
Takeda Riken 3⅛ 2000	10/84	7083	†80	81	+3	12.27
Tokyo Sanyo Elec 3½ 99	12/84	772	94¾	95¾	−2¼	[illegible]
Toshiba Ceramics 3 2000	4/85	1734.2	86⅝	87⅝	−0⅜	[illegible]
Nippon Oil Co 2⅝ 92 SF	3/84	1052	†101½	101¾	0	[illegible]
Nippon Shinpan Co 2 92 SF	3/84	601	†105½	105¾	−0⅛	12.45
Asics 5 92 DM	12/83	528	186⅝	187⅝	+6⅛	[illegible]
Rihoku 3⅛ 90 DM	3/85	675	108½	109½	+0⅛	−1.72
Sum Realty 6¼ 92 DM	2/83	330	†342½	347½	+11	−8.34

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. dte – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. C. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

SWISS CAPITAL MARKETS

A global move by the Bank

By William Dullforce in Geneva

THE Swiss National Bank raised a bigger dust storm than it expected last Thursday, when it let it be known that it might ease regulations preventing Swiss capial market issues from being made outside the country.

A possible interpretation, not spelt out by the Bank, was that the traditionally insulaed Swiss Franc was on the way to becoming a Eurocurrency like the Deutschemark or the Pound and that a new Eurofranc sector was about to be created in the Eurobond market.

The disturbance on Zurich's Bahnhofstrasse and the tartness of some reactions from the banking community forced the National Bank to issue a statement promising early clarification of its intentions. It also passed the word that it was not planning a revolution.

The Bank's hints had evoked general confusion. At a dinner party in Geneva eight bankers proferred eight different interpretations of the Bank's intentions.

One dismissed the Bank's winks and nudges as nonsensical and thought they should be disregarded. Another wondered whether he should leave for London immediately to start looking for a house.

In Zurich several Swiss bankers, among them Mr Ulich Grete, Senior vice president at Union Bank of Switzerland, warned that if Swiss Franc issues were allowed to be made abroad without an accompanying dismantling of the domestic stamp duty on securities transactions business would be switched to London.

Many put the National Bank's move in a domestic political context. It was suggested, for example, that Mr Pierre Languetin, the Bank President and a liberal in economic thinking, was trying to force Mr Otto Stich, the Finance Minister and a Socialist, to stop dilly-dallying over the removal, at least in part, of the stamp duty.

The duty generated SFr 1.45bn ($670m) in revenne for the Federal Treasury last year, of which some SFr 920m was levied on foreign business. Mr Štich's civil servants want to know how to replaee that income before the duty is lifted.

Swiss bankers generally presumed the worst possible case: that the National Bank would open up the market completely to foreigners. But the Bank said on Friday that this might not be so.

Pierre Languetin, president of the National Bank.

The incident illustrates the dilemma facing even liberally minded central banks when the impulses let loose by the deregulation of international securties markets start to undermine their controls.

Swiss capital exports requiring central bank authority totalled SFr 40.6bn ($18.8bn) in 1984: that included bank loans and export credits. A better measure of the business at stake is the SFr 24.8bn in bonds and notes authorised in the first nine months of this year, although only a minor part of that would be likely to shift to foreign banks.

The one remaining restriction of any importance stipulates that only banks in Switzerland can syndicate Swiss Franc issues. The market is still dominated by syndicates organised by the big five Swiss banks, although several smaller syndicates have been carving out shares in the past few years.

The National Bank perceives that with the emergence of the global capital market it will face growing difficulties in applying this restriction, which depends on other central banks co-operating in scotching efforts to launch Swiss Franc issues outside Switzerland.

The fertility of bankers' imaginations in inventing new instruments and the recent growth of the Swaps business (in which funds raised in one currency are swapped for money raised in another) have complicated life for monetary authorities.

"The Bank of England has more to do than to act as a policeman for the Swiss National Bank in this liberalised world." An American banker said last week: "The National Bank knows it cannot go on relying on other authorities, particularly when its own banks are running around snapping up business abroad."

This is not due to any trouble between the traditionally co-operative authorities but to the physical impossibility of checking every move on what is now a complex, worldwide market place.

Borrowers' recently enlarged appetite for dual currency bonds (paid in one currency, redeemed in another) featuring Swiss Francs appears to have brought the National Bank to the verge of action.

So far, bankers say, the National Bank has rejected requests for some dual currency issues to be done outside Switzerland but the question has been raised how far Swiss regulations can be applied, for instance, to a Deutschemark/Swiss Franc bond issued in Frankfurt.

The D-mark is the currency to which the Franc is most closely linked by volume of trade and by tradition. The Bundesbank's decision earlier this year to allow foreigners to participate in D-mark bonds, provided the lead manager was based in Germany, particularly affects the Swiss.

On the assumption that the National Bank will allow lead managers abroad to syndicate loans, Swiss bankers say their commissions—3 to 3¼ per cent against 2 per cent on 10-year eurodollar bonds — will be eroded. The big banks justify these high commissions by the costs of operating the dense network in Switzerland which gives them their placing power. The backbone of the Swiss Franc fixed-rate market is the Swiss investor who buys one SFr 5,000 bond.

This essentially retail market would be difficult for foreigners to penetrate, but one foreign banker based in Switzerland—and therefore eligible to underwrite Swiss issues—feared the spread to Switzerland of Euromarket commission cutting practices.

Views differ on how much demand there might be for other Swiss Franc issues outside the country. One banker estimated that 10 per cent of the trade in Swiss paper is already taking place abroad, stimulated by the desire to avoid the witholding tax.

The Japanese, it was thought, would have the greatest interest, a large part of their equity-linked issues already being traded outside the country. Luxembourg, it was suggested, could take some business through its low fees.

A fair guess might be that the National Bank will take things step by step, initially moving into line with the Bundesbank and allowing banks based abroad to underwrite issues but keeping the lead manager in Switzerland. That would not hurt Treasury revenues.

Matters will not stop there. The National Bank has issued a warning that, as the global market takes shape, Switzerland cannot remain an isolated financial island.

UK COMPANY NEWS

M & S 22% rise surprises City

BY LISA WOOD

Marks and Spencer's shares reached a high for 1985 yesterday as the group surprised the City with a 22 per cent interim profits increase.

At £137.7m pre-tax the result compares with £112.6m and analysts' forecasts of £130m, which were made in the light of the company's rather disappointing performance in the last couple of years.

M & S is Britain's biggest retailer and one of Europe's largest companies with a value of £4.8bn on last night's closing price of 182p, up 17p. The interim dividend is up from 1.08p to 1.25p.

The result for the six months to September 28 1985 partly reflects changes that have taken place since Lord Rayner took over the chair in 1984 from Lord Sieff.

M & S has made a fairly radical re-appraisal of activities after criticism that it was failing to keep up with many competitors' innovations in the High Street.

The re-appraisal has included the introduction of a charge card, which has proved popular with 950,000 cards in issue accounting for 8 per cent of UK turnover in the first half; a £480m refurbishment and expansion programme; and new product introductions such as garden furniture.

Of total group turnover of £1.6bn for the interim period the major growth was in the UK although European stores' sales rose 12.1 per cent to £41.8m. Canadian operations suffered a fall in sales from £77.6m to £74.2m although M & S said this was due to exchange rates.

M & S pointed to the turnround in the clothing division which last year came in for major criticism after reporting an increase of 7 per cent in sales. The latest figures show an increase of 15.4 per cent in clothing sales (14 per cent by volume).

The group said that previously in the ladies clothing the group had got wrong its mixture of fashion and classic clothing, but "this year we believe we have got the mixture right with a higher proportion of the basic merchandise and putting it together with the fashion items to generate more multiple sales. This has been combined with more exciting visual displays."

Food sales, contributing some 40 per centof the total, grew by morethan 15 per cent (11 per cent by volume) with particular success of two new product lines, convenience foods ready for a microwave and calorie-counted dishes.

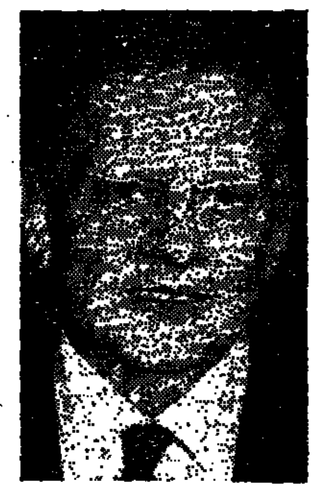
The homeware, footwear and accessories side — while still contributing a smaller performance of turnover than the other two divisions—is cuearly marked out by M & S as having strong growth potential with the interim result showing a 22.9 per cent sales rise.

M & S said its Marble Arch store now sold more footwear than any other store in the world and the company believed its lighting departments would next year rank as Britain's second largest retailer of lighting.

The charge card business incurred start up losses of £4.8m, compared with £0.3m last year when the business was in its infancy. M & S said it now believed it had resolved initial teething problems of the system, mainly due to the load of business, which it sees asa major competitor to Barclaycard and Access.

Given the size of the store refurbishment and investment programme the results show a time lag between a commitment to the £480m spent and costs being reflected on the balance sheet. Net interest receivable, which the City expected to fall, rose by £2m to £4.2m. Mr Keith Oates, M & S's finance director, said only about one-third of the expenditure would be made this financial year with the rest being made in 1987.

See Lex



Lord Rayner, chairman

ANALYSIS OF PERFORMANCE

	Turnover half year 1985/86 £m	Turnover half year 1984/85 £m	% change	Pre-tax profits half year 1985/86 £m	Pre-tax profits half year 1984/85 £m	% change
UK	1,524.6	1,313.3	16.1	133.3	110.3	20.9
Europe	41.8	37.3	12.1	3.7	3.0	23.3
Canada	74.2	77.6	−4.4	0.7	0.7*	—
Total†	1,469.8	1,452.4	15.0	137.7	112.6	22.3

FIVE YEAR RECORD

	1984/85 £m	1983/84 £m	1982/83 £m	1981/82 £m	1980/81 £m
Turnover	3,213.0	2,868.4	2,517.4	2,208.6	1,879.0
Pre-tax profit	303.4	279.3	239.3	222.1	181.2
Attributable	181.1	166.4	135.2	120.7	99.5
Shareholders' funds	1,325.3	1,226.8	1,140.0	1,063.7	599.2
Earnings per share‡	6.9p	6.3p	515p	4.6p	3.8p
Dividends‡	3.4p	3.125p	2.55p	2.3p	1.9p

* Loss. † Includes direct exports and financial activities. ‡ Adjusted for scrip issue in 1984.

Unexpected loss for Glanfield Lawrence

By Lucy Kellaway

GLANFIELD LAWRENCE, North London-based motor dealer, announced yesterday a surprise first-half loss of £127,000 (profit £89,000) which contrasts starkly with a statement in May that the company had made a "slight profit" in the first three months.

The cause of the discrepancy was inaccurate management accounts which had attributed profits to subsidiaries which were actually making losses, says the company.

This latest announcement marks a repeat performance of the results for the full year which contained a provision against a "significant discrepancy" in the accounts of a subsidiary.

Glanfield is 83 per cent owned by Gregory Securities, a private company, which won control in February after a fierce battle in which Glanfield's previous owners had forecast a profit for 1984 of £250,000 only to turn in a loss for the period of a similar amount.

Mr J. Provost, Glanfield's new finance director, yesterday reiterated the company's earlier assurance that the problems are now solved.

The company is in consultation with its legal advisors over the "responsibilities for these and past matters," and says that it will "report any progress in due course."

Turnover in the six months to June was £7.8m (£9.8m) and the loss was arrived at after charging interest of £229,000 (£169,000).

In the first six months some of the garages have been closed. The filling station at Finchley and the garage at Gravesend are still in operation, although the Gravesend garage, where the bulk of the accounting problems have occurred, is still making losses.

The financial division and property division are profitable, while Glanfield, Lawrence (Developments) which has started trading should make a "sizeable profit" in the second half, the company says.

Group borrowings have been reduced from £4.7m at year end to £2.3m at September 30, and board expects "substantial" further reductions.

For the three months to September profits before tax are expected by the company to be at least £100,000.

Second half lift takes BCA 12% ahead to £10m

SECOND half pre-tax profits up from £8.01m to £6.5m have lifted the full year figures of the British Car Auction Group by 12 per cent to a record £10.14m for theyear ended August 2 1985. This compares with a restated £9.05m last time, which included an exceptional profit of £1.17m.

The group has shed its 45 per cent stake in Mideps, conditional contracts being exchanged on October 18. Of the £9.66m received for the investment some £2m will be shown over cost. The contribution to group profits for the 1984-85 year was £1.47m.

Gross auction sales for the 12 months rose by 35 per cent from £1.55bn to £1.15bn, while turnover advanced to £50.02m, against £44.8m, a rise of 32 per cent.

The board, headed by Mr David Wickins, states that trading so far in the current year is ahead and they view the future with optimism and expect another record year.

After tax charge of £3.33m, compared with £3.53m, earnings per 10p share are given as 8.83p (8.38p) while the dividend for the year is lifted from 2.8p to 3.25p with a final payment of 2p.

Net profits of the UK auction businesses increased from £4.02m to £5.09m, a rise of 27 per cent, and followed an improvement in gross sale proceeds of 16 per cent and auction income of 19 per cent, the directors say.

Completion of the purchase of some 350 acres of freehold land and buildings—Blackbushe Airport, near Camberley, Surrey—took place on November 28 1984 for £7.3m paid in cash. It is the intention to construct the most modern auction complex in Europe, while expanding and improving the airport facilities and increasing the already substantial income from the "Sunday Market" located there, directors state.

The heavy commercial vehicle and plant auctions have already been transferred from Farnborough to Blackbushe, the first sales being held in April. The trading results to date have been "very encouraging," directors say.

Construction work on the new car auction facilities has already started and it is anticipated that the building work will be completed during spring 1986.

The sale of the auction land and premises at Farnborough, Hants and the former head office at Farnham, Surrey was completed on June 13, 1985. The total sale proceeds were £9.75m of which £4.75m was paid at completion and the balance of £5m will be paid when vacant possession is given in 1986 of two properties of £4.18m has been taken to reserves.

The first auction sale at the new branch at Paddock Wood, Kent was held on October 9, 1984. The greatly improved facilities have been well received, directors say, and both turnover and profits are "very satisfactory." The old premises at Tunbridge Wells have been sold for £0.4m.

Together with the new auction at Preston and the development of Blackbushe, directors say the continued expansion of the UK motor auctions "is assured."

The contribution made to group net profits on ordinary activities by the U.S. motor auctions was £2.23m, compared with £2.65m for the previous year. This decrease was due to a disappointing performance in the first six months caused by several factors including bad winter weather, which severely hampered operations. In addition, a very strong new auction market with record sales in 1984 adversely affected the market for one and two year old cars, the directors state. Auction turnover and profits improved considerably during the last quarter and the prospects for the current financial year are much brighter.

One further auction business was acquired in August, 1985, Baltimore-Washington Auto Exchange Inc for $8m and the existing auction business at San Francisco was moved to new purpose built premises, on 30 acres of freehold land, in April, 1985 at a cost of $7.64m.

Mr David Wickins, chairman of BCA

● comment

British Car Auction's results were sufficiently in line with forecasts for the market to turn its attention to the ramifications of the pull-out from Mideps rather than the numbers themselves. For BCA, it is unlikely to do anything but good in the City's eyes: the returns on the investment had never been high and the cash from the divestment will be more productively used in reducing BCA's 68 per cent gearing. There had also been concern about the extent of BCA's fringe activities, and the connection with Hawley had never done its image much good. For Hawley itself there will be some benefit from this further step towards a tidying up of its activities, but the City found itself raising a collective eyebrow at the sight of Mideps using one of its own subsidiaries to guarantee the transaction. Meanwhile, on the trading front, BCA looks in line for a recovery after last year's underperformance and something approaching £14m looks likely this year, putting the shares, down 2p at 90p yesterday, on an undemanding p/e ratio of 9½ after a 32 per cent tax charge.

BET increases stake in SGB to 9.1%

BET, the international services company which has made a three-for-four all-share bid for SGB, the scaffolding company, revealed yesterday that it had increased its stake in SGB to 9.1 per cent.

Last week BET acquired 6.2 per cent, before announcing the bid, quickly followed by 1.2 per cent. Yesterday it revealed a further 1.7 per cent bought at 260p per share, which, the company claimed, was below the value of BET's offer and thus demonstrated rejection by SGB shareholders of their directors' advice to resist the bid.

At BET's closing price last night of 345p, up 10p, and SGB's—up 2p at 262p— the offer values each SGB share at 259p.

Cray Elect £10m expansion

BY FRANK KANE

Cray Electronics, the fast-growing manufacturer of weapons components and other scientific equipment, is to pay up to £9.7m for a privately-owned company Malvern Instruments, based in Worcestershire.

The deal will be financed by the issue of new Cray ordinary shares, with an initial instalment of £7.1m on completion and two further payments in a profit-related arrangement.

A vendor placing has been arranged for 335,585 Cray ordinary shares at 212p to raise £711,440 and provide 10 per cent of the initial consideration in cash. Cray's shares closed at 233p last night, up 13p.

Malvern's business is in the field of particle analysis technology and instrumentation. Mr Bernard Collins, Cray's managing director, said yesterday that the company's activities in computer-controlled laser measurements, with its many applications in laser optics and computer techniques, would complement Cray's existing activities.

Mr Collins also said that Malvern's strong export performance and its subsidiary in Boston, U.S., had attracted Cray. In the year to March 31 1985, 60 per cent of Malvern's turnover of around £5.6m came from overseas, he said, helping the company to pre-tax profits of £912,000, up from £713,000.

Net tangible assets attributable to shareholders at that date came to £964,000. Following completion of the purchase, it is intended that Malvern will operate as a separate autonomous business under its existing management.

The acquisition will be put for shareholders' approval at an extraordinary meeting on November 21.

DPCE contracts

DPCE Holdings, engaged in computer maintenance, has signed three contracts worth £270,000 annually with three banks, National Westminster, Citibank, and ABN.

"The UK banking community is becoming a major customer for DPCE's computer maintenance services," said Mr Colin Clive, the chairman, at yesterday's annual meeting. "Our annual revenues from this sector have now reached £1.5m."

Pru injects £25m into reinsurance

The Prudential Corporation, Britain's largest life assurance group, is injecting a further £25m into its reinsurance subsidiary, Mercantile and General Reinsurance Company, through the issue of new shares.

The major part of this money is to be used to expand the operations of M and G's U.S. subsidiary, Mercantile and General Reinsurance Company of America, whose capital payment of US$28m will double the capital base of that company.

M and G's operations are international, yet its penetration in the U.S. reinsurance is only small. It started as recently as 1974 and the group has only 0.35 per cent of the U.S. reinsurance market.

The intention is to use the new capital to embark on a controlled expansion programme in the U.S., taking advantage of the upturn in the U.S. insurance and reinsurance business after several years of decline. There is a shortage of capacity, yet reinsurance brokers are now giving business to companies with an adequate capital base.

M and G of America expects to write just over U.S.$30m of premiums this year—giving it a ratio of premiums to capital of around 0.6. Many reinsurance companies in the U.S. are operating on a ratio as high as 2 or even 3, such has been the contraction in their capital bases.

M and G is still undecided as to how to use the £7m of this new capital given by its parent.

LADBROKE INDEX

1,061-1,065 (+16)
Based on FT Index
Tel: 01-427 4411

Worley bought by Coloroll in £2m deal

By David Goodhart

Coloroll, wallpaper and home furnishings manufacturer, has made its first acquisition since joining the stock market in May, paying £2m for Worley Ltd., Gainsborough-based wallpaper manufacturer.

The enlarged company will have a share of more than 30 per cent of the UK wallcoverings market and a turnover of more than £60m.

Coloroll is paying £1.2m cash and £800,000 in ordinary shares. It will leave the Worley family, which owns more than 90 per cent of the company, with a stake of about 1.6 per cent in Coloroll.

The privately-owned Worley had pre-tax profits of £349,000 on turnover of £14.2m for the year to December 31, 1984 when net assets were £3.5m. The company employs about 340 people in Gainsborough and Port Talbot.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
BCA	2	[illegible]	1.6	—	5.3
Capital & Counties int.	2.21	Jan 2	1.8	—	5.3
Clement Clarke int.	1.63	Dec 31	1.45	—	4.33
Derwent Valley int.	15	Nov 15	15	—	35
English & Intl Trust int.	1	Dec 19	1*	—	3*
Frogmore Estates	5.15	Dec 13	4.54	6.92	6.15
Globe Investment int.	4	Jan 2	3.75	—	9.9
New Australia Invest	5	Dec 18	0.4	1.5	0.4

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Accounts will cover 9 months—total not less than 4.5p forecast.

Allied attacks IXL banks' role

BY MARTIN DICKSON

Allied-Lyons, which is fighting a £1.8bn takeover bid, yesterday delivered a strong attack on a consortium of eight international banks, led by Citibank of the U.S., which are involved in the bid with Elders IXL, the Australian brewing and agricultural company.

Allied, one of Britain's biggest food and drinks groups, accused the banks of "spearheading a takeover raid aimed at destroying a very large and successful group where each of the parts contributes to the success of the others and the whole." It demanded an explanation of their conduct and policy.

The attack was made as part of comments on the structure of IXL, the English company set up as a vehicle for the bid. The banks hold 58 per cent of the company, with stakes of a little more than 20 per cent held by Elders and by two Monaco-based advisors to the Australian group.

Elders, which is about one quarter of Allied's size, has call options enabling it to take full ownership of IXL, following repayment of loans through which the banks are funding the bid.

Allied noted that "reconstruction" of the group was planned, should the bid be successful.

"As this would be prior to the banks obtaining repayment of their loans, they would still have control of IXL. Citibank and the other banks must therefore intend themselves to liquidate and break up the Allied-Lyons group."

It went on: "As their involvement facilitates an attack which Elders could not normally hope to finance more than fractionally itself, and is far removed from the normal business of commercial lending banks in the UK, a statement from Citibank and the other banks in explanation of their conduct and policy . . . is long overdue."

Allied argued that if the banks' loans were repaid out of the proceeds of the sale of Allied assets, that would constitute a breach of the Companies Act, under which it was illegal for companies to provide financial assistance for the purchase of their own shares.

"An explanation is due from Citibank, not just as to its technical methods of avoiding the relevant Companies Act section (such as artificially converting Allied-Lyons into a private company) but as to the propriety of its proposed course of action in circumventing this long-established principle of UK company law."

However, Hill Samuel, Elders' merchant bank, last night dismissed the attack as mischievous and designed to divert attention from a serious cash offer.

It said that IXL's plans were entirely legal. Most of the questions raised by Allied had already been adequately covered, and any further necessary disclosure would be provided in IXL's formal offer document.

Although not yet officially named, the seven banks involved with Citibank are understood to be Bankers Trust, Canadian Imperial Bank of Commerce, Creditanstalt, Dresdner Bank, Hongkong and Shanghai Bank, The Bank of Nova Scotia and Banque Paribas.

ICI to buy rest of U.S. seed company

Imperial Chemical Industries is to buy the rest of Garst Seed Co. of Iowa at a price which is believed to value the company at between £50m and £60m.

Garst is the third biggest producer of corn seed in the U.S. ICI bought a stake, believed to amount to just half the equity, in February, saying that it wanted to move to full ownership in the future.

A private family company, Garst initially wanted to retain majority control, however, the company has developed an wé range of hybrid seeds which has proved highly successful, and additional capital is needed for further development.

"The partnership has worked well over the last month," ICI said. "This seemed the right time to take the next step."

ICI sees Garst as an important part of its strategy for the next century. Seed technology is seen as a promising area for bioscience and genetic engineering techniques of the kind which ICI has developed in its central research establishment at Runcorn, Cheshire.

Before its connection with Garst, the group had no outlet for the skills it had developed.

ICI said: "Garst is already experienced in the area of bioscience. But it was looking for a partner to expand its activities, and it took it some time to find someone with the right plant technology."

Garst has about 300 employees, and had sales last year of about $80m (£56m). No profit figures have been disclosed.

Standard Chartered cuts stake in SA affiliate

BY DAVID LASCELLES, BANKING CORRESPONDENT

Standard Chartered, the London-based international bank, is about to further reduce its stake in Stanbic, its South African affiliate from 42 per cent to about 38 per cent.

Stanbic is acquiring two companies in which it already has a stake, the Unisec and Hesperus groups, in exchange for an issue of 9.2m shares worth R174m. Standard Chartered will not be subscribing to this new issue, though it will form part of the group that will underwrite the cash alternative.

Its underwriting role is designed to dispel any suggestion that the Unisec and Hesperus acquisitions are being made purely to give Standard Chartered an opportunity to lower its South African profile at a highly sensitive moment.

Unisec and Hesperus are both financial and investment companies, a large proportion of whose assets are in cash or readily realisable form. The acquisition is, therefore, essentially a rights issue for Stanbic, which is having a successful year. The deal will be concluded in January.

Although Standard Chartered's stake in Stanbic will fall, the size of its investment remains the same, and is valued at about £130m.

This is the second time Standard Chartered has cut its stake in Stanbic this year. Last February, it stood back from a R177m rights issue which resulted in its holding falling from 50.3 per cent to 41.9 per cent and Stanbic becoming an affiliate rather than a subsidiary.

The bank has a policy of gradually building up its business in new geographical areas, notably North America where it recently bought a bank in Arizona.

Magnetic Materials' £20m value

AN OFFER for sale of 4.98m shares in Magnetic Materials Group has been arranged by Phillips & Drew at 114p a share, valuing the business—one of Europe's largest manufacturers of magnetic materials—at £20.1m.

In total, 28.2 per cent of the company is on offer, of which 1.9m shares are coming from existing shareholders with the balance raising £3.17m, after expenses, to expand the manufacturing base.

Products fall into two broad areas of magnetic materials—soft and hard. Soft products are actually not magnets in themselves but are made from metal oxides and only demonstrate magnetic properties in the presence of an electric circuit. Hard magnets are those which retain magnetism and are, therefore, known as permanent magnets.

The group has a capital expenditure plan which totals almost £4m over the next 18 months.

The group was formed as recently as 1982 despite parts of the business spanning 100 years.

Profits in 1982-83 were depressed by the heavy costs of rationalising the new operation, leaving the pre-tax figure at just £79,000. The following year that leapt to £1.73m and then to £2.22m.

On historic profits MMG is coming to the market on a p/e of 12.1 on a notional tax charge, or 9.7 on an actual charge of 18.4 per cent. The prospective yield is predicted at 3.5 per cent.

● comment

Rating a group such as MMG with such a wide spread of customers is never clear cut as investors lack industry trends on which to base their judgment. Electronics, for example, is one obvious customer area but MMG seems none the worse for the problems of that sector. It may be that the broad spread insulates it from the sluggishness of any particular industry but if so, MMG may well be one of those companies that shows steady—but never inspiring—profits growth. That is probably wrong though the short record of the combined group offers little clue to its potential. It has a sound balance sheet and the money being raised now is largely to accelerate capital spending plans. That expansion, and the potential overseas, are perhaps the main points for investors to concentrate upon. MG may be a dominant force in the UK but worldwide it only has a 1 per cent of the market and magnets are enjoying wider applications throughout many industries. The offer will get away without difficulty though initially at least the price might be pushed no higher than, say, 125p.

British Assets buys Investors Capital stake

British Assets Trust, the Edinburgh-based investment trust managed by Ivory and Sime, yesterday announced the purchase of 12m shares in Investors Capital Trust, a stake of 19.4 per cent.

British Assets also said it was "formulating proposals which it believes will be in the interests of all shareholders." Ivory and Sime said a further announcement would be made as soon as possible.

Among other investment trust share dealings, it was announced yesterday that British Empire Securities and General Trust has increased its stake in Scottish Investment Trust to 7.68m ordinary shares (9.07 per cent).

Scot Heritable letting

Scottish Heritable Trust, York-based industrial holding company, has completed the lease of its Laser House development in Goswell Road, London.

The property has been let to a "major public company" on a 35-year lease at an annual rent of £300,000, subject to a reduction of up to £70,000 a year

Frogmore improves to £10.2m

A YEAR of continued progress has lifted pre-tax profits of Frogmore Estates, property developer and investor, from £9.09m to £10.2m for the year to June 30 1985.

The directors say that, in expectation of a continuance of the revival in demand, they feel the current year will present excellent opportunities for property development and investment.

The company says its overall strength in financial terms places it in a good position to take advantage of this improved climate.

A final dividend of 5.151p (4.545p) is being recommended, making 6.919p (6.15p) for the year.

An independent valuation of the group's property portfolio, as at June 30, showed a surplus over cost of £12.9m. This is some £5.1m more than the surplus shown in last year's internal revaluation.

Rent roll at the year-end rose to £6.83m (£5.5m). Many substantial new lettings and pre-lettings were contracted and during the past six months the company has seen some evidence of a revival in demand and rental growth.

The company's policy of substantial investment in edge-of-town and out-of-town retailing areas led to the purchase of two further development sites for this purpose. Substantial lettings have been contracted on both sites.

Land holdings fronting the Thames were the subject of two very beneficial planning consents and the cessation of development land tax will enable the company to sell these and other non-rent producing assets without incurring penal tax.

The phasing out of house-building activities is nearing completion and the company's debt has been reduced by £12.1m to £16.7m.

There has been a revival in demand and rental growth in the south of England in the past six months.

This is expected to continue and, as a consequence, the company has increased its property development activities.

The reduction in borrowing has placed the company in a very strong financial position to buy development land and some of the existing investments being sold by pension funds and institutions.

Net asset value per share rose to 236p (182p), including the property revaluation surplus of £12.91m (nil).

● comment

The first independent property valuation since 1980 has put Frogmore Estates' net asset value per share up by a quarter to 236p. This has the shares at 176p trading at a somewhat steeper discount than the 15-18 per cent sectoral average. Possibly the reason for this is that the company retains its house building activities and is still seen as a hybrid by some in the market. Completions totalled 780 in the last year, down from the previous year's 1,030. This year 500 sales are expected and by mid-1987 the run down of this activity will have been completed. The drop in housing completions has depressed turnover but not profits. A generous dispensation with regard to changes of land use is making the punt on industrial property, the sector's weak area, attractive. Only a handful of property companies can beat Frogmore's 5.6 per cent yield but forecasts of £10m for this year suggest that the shares are fairly toppish. However, any firming of industrial lands rents could alter that view as could takeover talk.

Godwin Warren £1.7m expansion

BY LUCY KELLAWAY

Godwin Warren Control Systems, the USM-quoted manufacturer of car park barriers, yesterday made an agreed £1.7m bid for Sunleigh Electronics, a manufacturer and distributor of electronic and scientific optical equipment.

The terms of the offer are one Godwin Warren share for every 23 Sunleigh shares, which are also quoted on the USM. There is a separate cash alternative of 155p which has been underwritten by Foster & Braithwaite and de Zoete & Bevan.

The directors of Sunleigh, who own 59 per cent of the company, have undertaken to accept the offer, and are recommending that shareholders comply.

Full acceptance would involve the issue of 1m new shares in Godwin Warren, increasing its share capital by 17 per cent.

Sunleigh, which employs 70 people has a customer list including the Ministry of Defence, British Telecom and Marks and Spencer, and made profits of £179,000 last year compared with £400,000 in 1983.

In the half year to June 1985 Godwin Warren made pre-tax profits of £225,000.

Yesterday Sunleigh revealed that Mr N. Buckhalter, the company's chairman, and the family of Mr J. Samuels, a director, each made a gift of 500,000 Sunleigh shares to Mr J. Robbins, the company secretary. Mr Robbins said last night that the gift was to thank him for "all the work I've put into the company."

UK COMPANY NEWS

Clement Clarke rises to £752,000

Clement Clarke (Holdings), which runs a chain of dispensing opticians, says the new trading pattern emerging following the change in regulations regarding NHS prescriptions has enabled it to control gross margins more effectively, and gives scope for increased profitability.

There was an increase in NHS sales just prior to April 1 1985, when the new regulations came into effect. Since then the proportion of those sales has decreased dramatically, with a consequent rise in private sales.

This is reflected in results for the first half of 1985, which show turnover rising from £9.17m to £10.5m and pre-tax profit from £610,000 to £752,000.

Prospects for the remainder of the year appear to indicate that the pattern of growth will continue. For the whole of 1984 the group made a profit of £1.29m; it compared with £2.15m but that included £401,000 arrears of professional fees from the DHSS.

After tax £331,000 (£281,000) earnings for the first half are shown at 5.26p (4.12p) per share, and the interim dividend is lifted to 1.6275p net (1.445p).

The group has been implementing specific reorganisation plans since the beginning of the year. These will necessitate increased expenditure, some of which has occurred in the first half; the end result, however, should be "very beneficial" to the group.

Yearlings rise

THE INTEREST rate for this week's issue of local authority bonds is 11$\frac{1}{16}$ per cent, up $\frac{1}{16}$ of a percentage point from last week, and compares with 10$\frac{13}{16}$ per cent a year ago. The bonds are issued at par and are redeemable on November 5 1986.

A full list of issues will be published in tomorrow's edition.

Globe lifts earnings by nearly 29%

REFLECTING AN improved performance in the half-year ended September 30 1985, the Globe Investment Trust is raising its interim dividend from 3.75p to 4p net.

In the period profit attributable to shareholders has moved up by 28.57 per cent, from £7.4m to £9.5m, while basic earnings are 25.56 per cent ahead to 5.65p and fully diluted have grown 24.94 per cent to 5.58p.

At September 30, basic net asset value per share stood at 382.57p, compared with 382.75p six months earlier, and fully-diluted was 367.86p (382.01p). Net of prior charges at market value the figure came to 374.65p (370.64p).

In a statement accompanying the second quarterly report, Mr David Hardy, chairman, says the first seven months have gone well, and he looks for another successful year. The increase comes from all parts of the group. He points out, however, that profit forecasts for the full year do not show a continuation of such a rate of increase in earnings.

In particular Globe International, which provides portfolio management for institutional and large private clients, has secured several more major investment accounts in the U.S. The Tyndall unit trust, life assurance and banking business made further progress and half year earnings were considerably up.

New product launches by both the UK assurance and unit trust divisions should also help future growth, he says.

In the second quarter earnings from investment trusts came to £9.12m to make £17.5m for a half year (£15.3m). The Tyndall Group provided £329,000 for a total of £746,000 (£540,000). Net of prior charges investment financial services lost £40,000 for a deficit of £182,000 (£275,000), property and investment dealing made £385,000 and so reduced the loss to £164,000 (£446,000), and property and investment holding earned £363,000 to make £699,000 (£204,000).

Net profit attributable to shareholders in the quarter worked through at £5.38m for basic earnings of 3.14p and fully diluted 3.08p.

At September 30, the group's net assets were split as to financial 15.78 (13.97) per cent, convertibles 5.7 (6.43), commodities 0.53 (0.85), oil 7.06 (9.85), non consolidated subsidiaries 4.53 (4.87), fixed interest 10.12 (4.65), capital goods 10.58 (11.24), consumer goods 23.8 (24.37), other groups 14.88 (14.85), and other net assets 7.04 (8.92).

Geographically, the split was Great Britain and Northern Ireland 64.74 (64.39) per cent, North America 25.34 (24.03), Far East 8.71 (10.22), and elsewhere 1.21 (1.36).

Listed investments were shown at £579.83m and unlisted at £75.08m.

Mr Hardy says the UK portfolio performed well. However, local markets in sterling terms in North America and the Far East (with the exception of Japan and Australia) substantially underperformed and in the first half overall the group was very slightly behind the increase in the FT-Actuaries All-Share Index.

On the unlisted side, the chairman says Globe has invested $10m in Financial Securites Assurance Holdings, which is backed by several large international institutions and is the first company specifically created to guarantee corporate debt and thereby improve its rating.

● comment

By virtue of its sheer size, Globe is never going to be one of the more glamorous in the investment trust sector and hence its above average discount to asset value of 24 per cent on yesterday's share price of 298p. However, Globe's policy of investing in a small number of companies—its largest eight holdings represent 30 per cent of the whole portfolio—and its willingness to take large active stakes in smaller companies, has helped establish a distinctive identity in the market. The policy is also paying off in terms of performance. Thanks to its large stakes in Debenhams and Saxon (both now sold) and in Dee, Argyll and Rank, Globe's UK holdings have outperformed the FT-30 by 9 per cent in the first half. Again, performance overseas has been weak, although this time currency contributed a profit of £12m as last year's misjudged forward cover was unwound. Globe is now expecting foreign markets, in particular the U.S., to start outperforming, and plans over the next 18 months to reduce its UK holdings from 65 to 50 per cent of the total portfolio, marking the lowest UK exposure in Globe's history.

Capital & Counties well placed

THERE ARE some exciting projects under way and in prospect at Capital & Counties, property investment and development group. These cover the UK, Australia and the U.S., says the chairman Mr Dennis Marler, in his interim report.

He believes the group is even better place to take advantage of the many and varied opportunities for profitable real estate acquisitions and developments here and overseas.

To ensure adequate resources are available for expansion the company has arranged a £35m medium-term facility with a syndicate of major UK and American banks, and is also asking shareholders to raise the authorised capital by 30m shares.

The chairman says the relationship with the parent company, the South African controlled TransAtlantic Insurance, is excellent. No policy or management changes have been imposed nor are they contemplated, and the commitment to retain the share quotation continues. TransAtlantic won control in July.

In view of the change in control the accounting date is being changed to December 31, and the current period will cover the nine months to end 1985. There will be no direct comparison for that period; and comparison with previous years will be even more difficult following the sale of the housebuilding subsidiary, Roger Malcolm, which has been the main source of trading profits.

Reporting for the six months ended September 2 1985, Mr Marler says the pre-tax profit has shown a surge of nearly 53 per cent, from £4.11m to £6.28m.

Property investment income rose from £5.5m to £7.27m and trading from £747,000 to £1.39m, while other income came to £496,000 (£282,000) but there was no contribution from housebuilding (£201,000).

Administration costs of the overseas operations have been included in administration expenses of £1.79m (£1.51m). The previous practice has been to deduct such costs from trading income and the comparisons have been restated.

After tax £2.5m (£1.23m) and minorities £34,000 (nil), the attributable profit comes to £3.73m (£2.87m).

Mr Marler says dividend policy is to increase the rate steadily to give shareholders a growth of income in real terms. For 1985-86 the total would probably have been 5p, compared with 3.3p last time; applying that rate to nine months the recommendation will be not less than 4.5p net, and to even out distributions an interim of 2.2p (1.6p) is declared.

IN BRIEF

DRG (Canada), publicly-quoted Canadian subsidiary of DRG, packaging and stationery group, reports pre-tax income of $5.58m (£3.9m), against $5.4m, for the nine months to September 30 1985. Net sales were $88.49m ($85.46m) and income per share after extraordinary items fell to $0.91 ($0.94).

STYLO MATCHMAKERS International, wholly-owned subsidiary of Stylo, shoe group, and manufacturer of golf and riding accessories, has acquired Harry Hall, riding wear maker, from Austin Reed for more than £1m.

AE GROUP, manufacturer, designer and distributor of engineering components, has acquired control of IHG Geitlager, a privately-owned West German distributor and manufacturer of specialised dry and pre-lubricated bearings which has a turnover of about £4m a year.

UNIGATE'S offer for Arlington Motor has become unconditional. Acceptances have been received in respect of 4.22m ordinary shares (94.1 per cent). J. Henry Schroder Wagg has accepted in respect of the 29.99 per cent of Arlington that it owned. Acceptances of the alternative loan note offer means £1.7m nominal of notes will be issued. The offer and loan note alternative remain open for acceptance.

LARGS and Peel Holdings sold on October 25 their entire shareholdings in Trafford Park Estates at 220p a share, being a total of 1.04m shares, held by wholly-owned subsidiaries of the two companies, representing 9.3 per cent of Trafford Park's issued ordinary shares.

BRINT Investments, USM-quoted natural resources investment concern, has sold its near 20 per cent holding in British Benzol Carbonising, the coke and smokeless fuel manufacturer. The sale of the 4.3m shares would have fetched £860,000 at Benzol's opening price yesterday of 20p. It closed up 1.5p.

Confidence at enlarged Aran Energy

THE ACQUISITION of Petrolex was too late to affect the figures for the first half of 1985 for Aran Energy. The directors however expect the move to have a major impact in the second half.

In a statement accompanying the interim results they say that the enlarged group has a much better balance of exploration and production assets. There is income from the Forties and Kinsale Head fields, interests in seven declared discoveries and involvement in a total of 90 offshore and exploration blocks.

The greatest impact, they add, has been to involve it in more active and year-round programmes of exploration and appraisal drilling. It will improve the probability of participating in commercial discoveries.

The expected programme for the rest of this year and 1986 is much greater than would usually be associated with a company of Aran's size.

In the six months to the end of June 1985, this Dublin-based unquoted company saw pre-tax profits improve from I£279,000 (£229,000) to I£713,000 (£585,000). Operating revenue rose from I£13.5m to I£15.76m.

The tax charge was I£360,000 (I£105,000) and minorities took I£27,000 (I£2,000), leaving attributable profit at I£353,000 against I£103,000.

Cashflow from the Forties field and royalty income, as well as borrowings, will be used to finance exploration, say the directors. They intend to restrict equity fundraising in the future and will consider alternatives such as farmouts or asset disposals.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

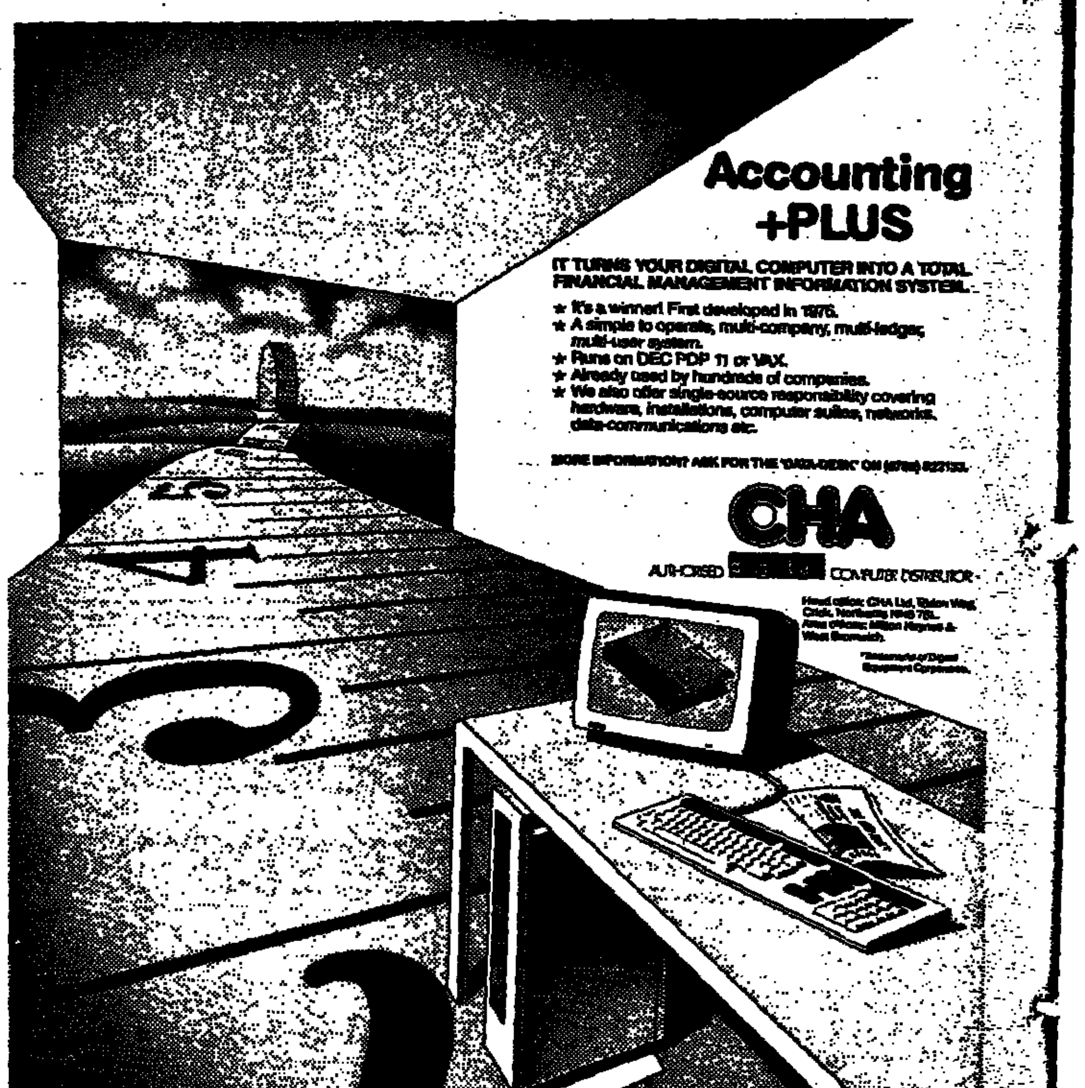
TODAY

Interims—Brent Walker, Feedex Agricultural Industries, Flight Refuelling, New Throgmorton Trust (1983), Northern Securities Trust, Reed International, TR City of London Trust, Transvaal Consolidated Land and Exploration, United Computer and Technology.

Finals—Wm. Low, Murray Electronics.

FUTURE DATES

Interims—	
Associated British Foods	Nov 4
Boots	Nov 21
Compsoft	Nov 5
DOT	Nov 12
Electrocomponents	Nov 6
Shires Investment	Oct 31
Solicitors Law Stationery Soc.	Oct 31
Wernford Investments	Nov 7
Wire and Plastic Products	Nov 4
Finals—	
Associated Heat Services	Nov 22
Associated Newspapers	Jan 9
English China Clays	Dec 12
Jessups	Nov 5
Keystone Investment	Nov 5
Tyzack (W. A.)	Nov 6



FT COMMERCIAL LAW REPORTS

Persistent default by liquidator

RE ARCTIC ENGINEERING LTD
Chancery Division:
Mr Justice Hoffmann:
October 25 1985

A LIQUIDATOR who repeatedly fails to make returns to the Registrar of Companies as required by statute is in "persistent default" empowering the court to disqualify him if it thinks fit, though he did not intend to flout the law and his defaults never led to his prosecution.

Mr Justice Hoffmann so held on an application by the Secretary of State for Trade and Industry for a disqualification order to be made against a liquidator. The application was refused in the exercise of the court's discretion.

Section 297 of the Companies Act 1985, which consolidates the provisions of section 188 of the 1948 Act as amended by the 1976 and 1981 Acts, provides: "The court may make a disqualification order against a person where it appears . . . that he has been persistently in default in relation to provisions . . . requiring any return, account or other document to be filed with . . . the registrar of companies."

* * *

HIS LORDSHIP said that the liquidator was alleged to have been persistently in default under section 188 of the Companies Act 1948 as amended, in relation to the filing or sending of returns or abstracts required by sections 342 and 372 of the Act.

Those were the sections which required returns to be made to the Registrar of Companies by liquidators, receivers or managers.

Section 342 said that if a company was being wound up and the winding-up was not concluded within a year, the liquidator should, at prescribed intervals, send the Registrar a statement containing prescribed particulars. Section 372 dealt with receivers and managers.

In the case of both sections, default in compliance was an absolute offence punishable by fine.

In order to secure compliance the Registrar maintained a card index diary showing the dates on which returns were due. When a liquidator had been in default for two or three weeks, he was sent a reminder, and was asked to send the statement within 21 days.

If the statement did not arrive within that time, the Registrar sent a final notice by recorded delivery, saying that unless it was received within 14 days the matter would be referred to the Treasury Solicitor.

The Treasury Solicitor would send the liquidator formal notice warning him that unless the default was remedied within 14 days, application would be made to the court for an order to that effect.

Usually there was no room for argument over whether a respondent had been "persistently in default" because section 188 (2C) provided that that should be conclusively presumed against a person who, within five years before the application, had three times been "adjudged guilty" of a relevant default. "Adjudged guilty" meant that he had been convicted or had an enforcement order made against him.

The conclusive presumption was without prejudice to the proof of persistent default in any other manner.

Within the five years before issue of the present proceedings the liquidator had been in default in relation to 35 returns in 34 liquidations or receiverships.

In 21 cases the default had persisted until after the matter had been referred to the Treasury Solicitor and notice of intention to apply for an order had been received. In three of them default continued until after a summons had been issued and served. There were also another six cases of a summons having to be issued in the period more than five but less than 10 years before commencement of proceedings.

No case had reached the stage of an enforcement order actually being made, and the liquidator had never been convicted of default. The conclusive presumption therefore did not apply.

The liquidator was an experienced accountant specialising in liquidations and receiverships, and had attained some distinction in his profession. He had practised since 1961, and employed a staff of about 30. At any given time he had upon his hands about 500 voluntary liquidations, 75 compulsory liquidations and 12 to 15 receiverships.

In a number of cases he had given explanations for the defaults. On several occasions it appeared that returns were delayed because it was expected that the liquidation would shortly be concluded and a final composite return could be submitted. On other occasions they were held up pending finalisation of some item, such as agreement of tax liabilities.

In virtually no cases, however, were explanations offered to the Registrar or Treasury Solicitor. The Registrar's letters were simply ignored.

The question was whether the liquidator had been "persistently in default." The original ambit of section 188 was "power to restrain fraudulent persons . . .". Its extension to liquidators and receivers was made by the Companies Act 1981. Mr McCulloch said the court should ignore all defaults which occurred before June 15 1982, when that Act came into force.

The rule that penal legislation was presumed not to be retrospective was subject to displacement if the legislature's intention that it should be retrospective was plainly expressed or implied.

Section 188 (1C) provided that disqualification on the grounds of conviction of an indictable offence, and disqualification for fraud, should not apply to anything done before the 1981 Act came into force.

There was no similar restriction in relation to disqualification for persistent default in satisfying relevant requirements. The irresistible inference was that no such restriction was intended.

Mr McCulloch's other point was that in certain cases the Treasury Solicitor had written agreeing to accept payment for costs and to take no further action on the summons. That was said to be a representation that the default would be erased from the record so as to estop the Secretary of State from relying on it.

The Treasury Solicitor's letter could not be read as containing such a representation.

Mr McCulloch submitted that the liquidator was not persistently in default. He said that "persistently" connoted a culpable disregard of the relevant requirements under the Companies Acts, and that there was no culpability. The liquidator did not intend to flout the law, he said, and his defaults were caused by administrative oversight, human error and so forth.

Culpable disregard of the relevant requirements was a fair description of the liquidator's conduct, but culpability was irrelevant to whether there had been an offence under the Act.

A finding of persistent default entitled the court to impose a disqualification order but did not oblige it to do so. Culpability could be considered in deciding whether to disqualify the respondent and, if so, for how long; but it did not constitute an essential element of persistent default.

"Persistently" connoted some degree of continuance or repetition. A person might persist in the same default or persistently commit a series of defaults. The Act did not say what degree of continuance or repetition was necessary, but guidance might be obtained from the conclusive evidence provision in (2C).

By that standard the liquidator's 35 cases of default over substantial periods were amply sufficient to be called persistent. It was true that none of them was prosecuted to conviction, or enforcement orders over five years as amounting to persistent default. It was an indication of the kind of conduct which the legislature had in mind.

That treated three convictions or enforcement orders over five years as amounting to persistent default. It was an indication of the kind of conduct which the legislature had in mind.

It was true that none of them was prosecuted to conviction, or at all, but since the facts were admitted, omission to prosecute could not affect the question of persistence.

If all defaults which occurred before the 1981 Act came into force were disregarded, the relevant defaults would have amounted to 27 in the two years before commencement of proceedings. Those would also have amounted to persistent default.

In the exercise of its discretion the court decided not to make the disqualification order.

Any illusion that liquidators could engage in this type of brinkmanship as long as they avoided a court order was dispelled. Failure to report to the Registrar was a serious matter, and had been aggravated in the present case by failure to answer his letters.

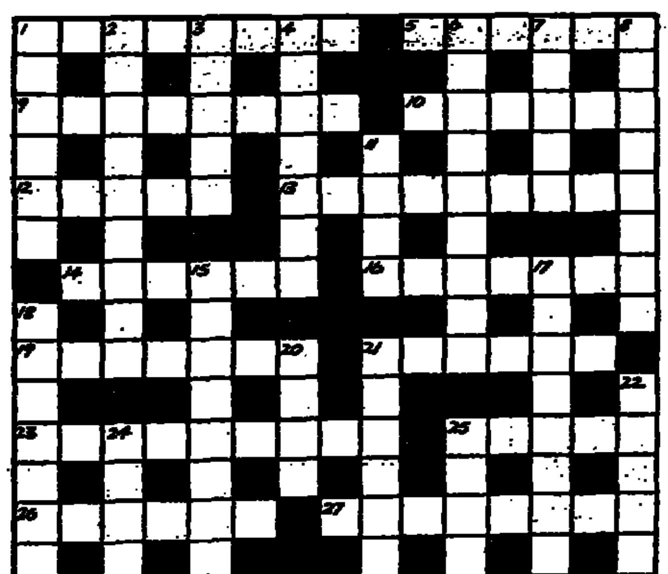
However, the liquidator was neither dishonest nor incompetent. Disqualification would have serious consequences for him, his staff and his clients. No other criticism had been made of him, and disqualification was not necessary to protect the public. It was likely that in future he would pay more attention to the Registrar's letters.

For the liquidator: Ian McCulloch and David Turrell (Paris, Smith & Randall, Southampton).

For the Secretary of State: John Mummery (Treasury Solicitor).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,860



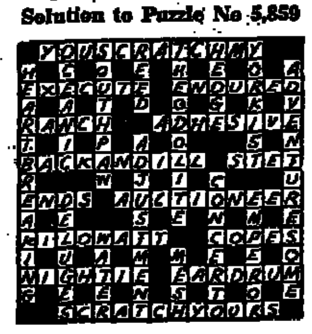
ACROSS

1 Way murderer may become pub-entertainer (8)
5 Flower it is said crowds wanted (6)
9 Get animal to run at stake (8)
10 Beetle found by sailor on cliff (6)
12 Split when Chinese capital abandoned (5)
13 River-crustacean the French find detestable (9)
14 Funds for supplies (6)
16 Passage from old pamphlet (7)
19 Aim to take out rose from back (7)
21 Persistently pursue evil for example over right (6)
23 Bird moving easily on track (9)
25 Child the Spanish urge forward (5)
26 Slip one in and turn over for observation (6)
27 Spend a long time in corridors (8)
28 What baker does or wants by the sound of it (6)
29 Turned over to find poetry in colour (8)

DOWN

1 Celebrity attending church as formality (6)
2 Went back and paid for drinks again (9)
3 Sanctimonious crowd needing guide (5)
4 State paper (7)
6 Lead-trace badly torn (9)
7 Horse carrying artist round tree (5)
8 Themes expressing what we in Britain are (8)
11 Pure water (4)
15 Unrealistic character on governing body (9)
17 A sea-group forming a kind of court (9)
18 Unfortunate accident at ball? (3, 5)
20 Long poem about Greek character held in city (4)
21 Cases featuring a saucy woman? (7)
22 Fail to win Civil Defence round so shut up (6)
24 Liberal politician taking drink outside (5)
25 Upshot of publication (5)

Solution to Puzzle No 5,859



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

AA Friendly Society

Abbey Life Assurance Co. Ltd.

Allied Dunbar Assurance PLC

Ambassador Life Ass. Co. Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

British National Life Assurance Co. Ltd

Canada Life Group

Cannon Assurance Ltd.

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd.

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd.

Crown Financial Management Ltd.

Crusader Insurance PLC

Eagle Star Insurance Co Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends' Provident Life Office

General Portfolio Life Ins. PLC

Gresham Unit Assurance Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Imperial Life (UK) Ltd.

Irish Life Assurance Co. PLC

Langham Life Assurance Co. Ltd.

Legal & General (U.A.)—Contd.

Legal & General Prop. Fd. Mgrs. Ltd.

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd

London Life

London & Manchester Group

M & G Group

Manufacturers Life Insurance Co (UK)

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Pensions Ltd.

National Mutual Life

National Mutual of Australasia

National Provident Institution

New Zealand Insurance PLC

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Premium Life Assurance Co. Ltd.

Property Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Provident Capital Life Ass. Co. Ltd.

Provident Life Assoc. Ltd

Provident Mutual Life Ass. Assn.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Assurance Ltd.

Scottish Amicable Investments

Scottish Equitable Life Assur. Soc.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $12.09 +0.02

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $13.52
Inv. Adv. M. & G. Inv. Mngt., Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $11.01 +0.23
Dynamic Grth Fd. ... $9.88 +0.20

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB			01-588 1815	
Deposit	11.20		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fnd	11.42	8.54	12.53	6mth
7-day Fnd	11.61	8.68	12.74	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	11.46	8.57	12.61	6-Mth
7-day Fund	11.07	8.27	12.18	6-Mth
Dollar	6.75		—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF			031-225 8484	
Full Service Car Acc	11.25	8.06	11.78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc	11.00	8.22	12.11	Qtr
Mth. Int. Chq	11.000	8.22	12.10	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD			01-283 9111	
HIBCA	11.50	8.60	.	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH			01-628 8060	
Money Mkt Cheque Acc	11.00	8.22	12.10	Mth
Barclays Prime Account PO Box 125, Northampton			0604 252891	
High Int. Cheque	11.0	8.25	12.32	Qtr

Britannia Investment Services Ltd.

NOTES

¶ Guernsey gross. ‡ Suspended ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase adj ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk.	35
BOC Grp.	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect.	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord.	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	$3\frac{1}{2}$	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons.	18	Turner Newall	$9\frac{1}{2}$
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs.	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met.	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit. Oil & Min.	$3\frac{1}{2}$
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds.	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

John Edwards on the possible consequences of the tin crisis

Metal Exchange is put to the test

"EVERYONE'S PAID up—we're all right for the moment at least" said a jubilant member of the London Metal Exchange yesterday reporting the latest development in the tin market saga.

The demand by the Metal Exchange for members with outstanding positions with the buffer stock of the International Tin Council to put up £1,000 a tonne against possible losses following the collapse of the buffer stock support system was considered to be an acid test affecting the whole future of the Exchange. It is estimated that over £50m has been stumped up by member companies with exposed positions in the tin market.

If even one company had failed to pay up then the whole structure of the Exchange, relying on each of the 28 ring-dealing members to act as principals to all the business transacted, would have been at risk.

In spite of various built-in safeguards, the Exchange is very reliant on the ability of its elected member companies, with ring-dealing privileges, to honour their financial obligations. If one company went under, there would be a "domino" effect on all the other ring-dealing members that would destroy the whole basis of the Exchange.

Members of the ruling Board and Management Committee of the Exchange have taken a purist approach to the crisis triggered off last Thursday when the Council's buffer stock manager, Mr Pieter de Koning, abruptly announced that he had ceased trading.

The Exchange took the view that essentially this was a potential default by a client, which happened to be backed by an inter-governmental organisation (the International Tin Council) and had, therefore, done business through many of the ring-dealing member companies often on very favourable terms.

Who, after all, is going to impose strict credit terms on a potentially huge client, who is acting on behalf of 22 different governments and has been controlling the trend of market prices for many years?

Mr de Koning's announcement suddenly called into question the credibility of the buffer stock as a major client able to meet commitments.

The meeting of the International Tin Council in London, due to end today, should decide the credibility of the buffer stock as a client. It will decide whether the buffer stock will honour its existing obligations and whether it should continue to try and support the world market at the level currently laid down by the International Tin Agreement (29.15 Malaysian dollars a kilo or about £8,500 a tonne) which would require a massive inflow of new funds, or set its support price at a more realistic level.

Pending the outcome of the meeting, the Metal Exchange has tried to ensure that its own house is kept in order. It suspended trading in tin to buy time and has called up extra funds, from its members, as a down payment against possible losses.

Old stagers recall that the last, and only previous, time when the buffer stock ran out of money (in 1958 when the Russians flooded the market with surplus tin) that the price initially fell and then recovered sharply. The figures were a bit different then—the market "collapsed" from £730 to £610 a tonne and then surged back to £760—but the principle remains the same.

The same could happen on this occasion. But bearing in mind the generally depressed state of the metal markets and the long period during which the tin price has been sustained by the skill of the buffer stock manager, at an artificially high level the losses could be much more severe.

The extent of any losses depends largely on the results of the Tin Council meeting and this in turn affects the extent to which individual metal dealing companies are involved.

The £50m-plus provided up front by the member companies is obviously a considerable boost for the London Metal Exchange and should help restore at least some confidence.

In the present atmosphere of uncertainty everyone is fearful of doing business with anyone else and this has affected trading in other metals as well as tin. It is no exaggeration to say that the whole future of the Exchange is in doubt.

Even if the present tin crisis is survived, there is no doubt that pressure for the London Metal Exchange to introduce a clearing system, similar to that used by other futures exchanges, will be intensified.

A majority of LME members, including most representatives in influential positions, have so far rejected the introduction of a clearing house system to replace the principals contract (in which individual members look after their own credit problems) on the grounds that it would deter trade business and encourage speculative participation.

The latest crisis, however, has given strength to the view that the financial risks involved in world metals trading these days are just too big to be borne by individual companies.

Ripple effects could hit the banks

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE TIN crisis could prove costly for the banks if the International Tin Council takes too long to sort out its problems, and if the ripple effect from the tin market's disruption spreads as wide as some people fear.

Bankers do not foresee a major calamity—at least as far as they are concerned—but yesterday they were watching developments closely.

The banks are exposed to the crisis in two ways.

First, they have helped finance the tin buffer stock. Since the buffer stock is assumed to be guaranteed by the governments of the ITC member countries, these loans should in theory be safe. However the readiness of these governments to stand fully behind whatever losses the buffer stock manager suffers has yet to be tested. One banker yesterday described the stock's backing as "a bit of a fruit salad."

Second, banks have financed metal dealers either by opening up general purpose credit lines or lending for particular transactions. A collapse in the tin price would be catastrophic for some dealers, and could easily cause a chain reaction that would hit other parts of the metals market. So banks without any direct exposure to tin could still suffer.

Some bankers fear, in addition, that a severe disruption of the metals market would put strain on industrial customers as well, though this secondary impact looks some way off since supplies of tin are abundant right now.

Quite how large the banks' direct exposure to tin is, is a matter of much guesstimation. One quoted figure of £400m was said yesterday by an observer to be too high; others have estimated it in the £100m to £200m range.

None of these are figures that would bring about the collapse of the international banking system, though they would obviously severely damage any bank that had a concentrated exposure.

The banks' loans are secured on the metal itself. It is customary in commodity financing to ask for cover of 110 to 125 per cent for loans, depending on the customer and whether or not the metal has been sold forward. But this security would be worth little if it came to the worst because of the fragility of the tin price, so the banks' recoveries would be small.

Much of the bank exposure is believed to be lodged in the Far East and South East Asia, particularly among banks in the tin producing countries. None of the UK banks have any significant exposure to the buffer stock manager, though several of them, including Barclays, the biggest UK bank in commodity finance, have loans out to metals merchants and brokers.

The leading foreign banks in the market include Banque Nationale de Paris, which claimed last night that its exposure was small and the risk well spread.

Banks were generally denying yesterday that they were pulling in credit lines to dealers, but that may be because they had already taken their precautions. "We had seen this coming for some time," said one of them.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market. 99.6 per cent, $ per tonne, in warehouse, 2,780-2,890.

BISMUTH: European free market, min 99.99 per cent $ per lb, tonne lost in warehouse, 4.15-4.30.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.75-0.79, sticks, 0.82-0.86.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.10-11.35.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 277-282.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.70-2.77.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 7.10-7.20.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO, cif, 62-70.

VANADIUM: European free market, min 98 per cent V O, other sources, $ per lb V O, cif, 2.10-2.20.

URANIUM: Nuexco exchange value, $ per lb U O, 16.00.

U.S. aluminium producers plan action against Japan

BY NANCY DUNNE IN WASHINGTON

U.S. ALUMINIUM producers, plagued by low prices, rising stocks and higher imports, are expected to file an unfair trade case against Japan in the near future.

Producers have been hoping the White House's recent trade opening initiatives would include a case against Japanese subsidies and tariffs on aluminium. Failing an Administration case, the Aluminium Company of America (Alcoa) is prepared to file its own, and Reynolds Aluminum is said to be considering joining in.

In testimony before the Senate foreign relations committee earlier this month, Mr Richard Holder, Reynolds' executive vice president for fabricated products, charged that Japan's non-tariff barriers included "cartels, differential prices among customers, buying syndicates which distort prices, interlocking directorships, market allocations among producers, and an 'old boy' network reminiscent of an English public school."

Mr Charles Parry, Alcoa chairman, said his company will continue to gather evidence of Japan's "cartel-like" behaviour. Mr Clayton Yeutter, the U.S. trade representative offered to co-operate with the industry in establishing its case.

U.S. imports of non-product aluminium have been increasing steadily. In 1981 imports totalled about 935,000 short tons. They rose to 968,000 short tons in 1982, 1.2m short tons in 1983 and 1,63m short tons last year.

Japan's market share is a minor one, which has flucuated. Its imports rose from 117,000 short tons in 1983 to 150,000 in 1984.

However, U.S. demand, which took off in 1984, has been sinking and prices have fallen from abut 78 cents a pound 18 months ago to an average 46 cents a pound, according to a specialist at the U.S. Bureau of Mines. In the worldwide oversupply picture, Japan's high duties and subsidies take on a more threatening posture, he said.

Meanwhile, American aluminium producers have been feeling the pinch. Kaiser reported a net loss from continuing operations of $14.2m in the third quarter, compared with $10.7m in the third quarter of 1984. Shipments in the quarter fell to 194,200 short tons from 214.70 0short tons the previous year.

Alcoa's earnings in the third quarter slipped to $57.1m from $60.1m in the third quarter of 1984. Total shipments were 432,000 tonnes, down from 439,000 tonnes a year earlier.

Shell orders crude oil from Iraq

By Maurice Samuelson

IRAQ HAS signed a contract with Shell International Trading Company for oil to be delivered via Saudi Arabia's Yanbu terminal on the Red Sea, says the Nicosia-based Middle East Economic Survey.

Shell's order, for 50,000 barrels a day of Basra light crude oil, was placed only weeks after the opening of a pipeline linking Iraqi oilfields to the Saudi port, greatly enhancing Iraq's export capability in the face of hostile action by Iran.

The MEES said Shell "apparently plans to use the Iraqi crude to service markets in the Far East. Earlier Iraq had agreed to sell Japanese companies a total of 210,000 barrels of Basra oil via Yanbu.

Iraq's Gulf ports were shut down shortly after the start of the war with Iran more than five years ago, and Iraq has been limited to exporting oil via a trans-Turkey pipeline and by road tanker through Jordan.

Baghdad has been planning average sales of 400,000 barrels a day from Yanbu in the fourth quarter without any matching fall in its exports via other routes. Meanwhile Iran's exports have been cut as a result of Iraqi air attacks on its Gulf installations.

Coal salesmen impatient for winter

BY GERARD McCLOSKEY

EUROPE'S COAL salesmen have taken to tapping barometers. Clearly the sight of large, and growing, stockpiles of coal are proving just too discouraging and the belief has rapidly spread through the trading fraternity that everything will improve once the cold weather sets in.

Well might they be worried. Prices have been falling since June, in the last four weeks by a full dollar to U.S.$38/tonne for 10,600 Btu/lb South African steam coal on an FOB barge basis available in Rotterdam. There seems to be little that will arrest this downwards movement short of a new European ice age. Supplies of South African and Australian coal are ample in Europe. In the UK, where everyone had predicted a shortfall in supplies from the National Coal Board this winter, stockpiles at the merchants remain high while the Board's commercial manager is predicting that all qualities of coal will be in ample supply throughout the winter.

Trading attention in Europe has now switched to France where the state coal producer Charbonnages de France has refused to offer further coal to the national utility Electricité de France because coal prices are too low. The trade between the two bodies is priced to align with EdF's imports through Le Havre. The problem for Charbonnages is that much of the coal coming through this particular port is from South Africa's Transvaal Coal Owners Association — a contract priced in rands.

The South African Association is seeking to renegotiate this contract into dollar-denominated prices — a quest towards which the French state coal purchaser ATIC is turning a deaf ear. For the rest of the South African industry, with its low running costs, the collapse of the rand has brought an immense windfall. In January last year the dollar was worth R1.26, a value which this month had nearly doubled to R2.46.

The slide in prices could not have come at a worse time for the steam coal exporting companies since it coincides with the repricing of many of the European coal contracts for 1986 deliveries. No one is now predicting price rises for 1986, but many producers were hoping to get away with roll-over prices.

Meanwhile on the Asian market the Queensland mine Blair

SPOT STEAM COAL MARKER PRICE

October	1985	$38
September	1985	$39
October	1984	$45

(South African 10,600 Btu/lb 0.8% sulphur fob barge, Rotterdam)

Athol has snapped up a 400,000-tonne contract to supply the new Indonesian power station Suralaya. Eventually mine developments on Sumatra are earmarked to provide fuel for the plant but slipping delivery deadlines have let in the new Australian producer. The order follows a 450,000-tonne order between the same parties. The price for deliveries has been agreed at A$58 (U.S.$41) a tonne delivered Indonesia for the mine's 11,735 Btu/lb steam coal.

*For 10,600 btu/lb 0.8% sulphur South African coal FOB barge. Gerard McCloskey is editor of the FT International Coal Report.

● A $1bn contract to supply 36m tonnes of coal over the next 20 years to a Tennessee Valley Authority power station hs been offered to Island Creek Coal, a Kentucky-based subsidiary of Occidental Petroleum Corporation, writes Maurice Samuelson.

The coal, with an initial delivered price of $28.07 a ton, is for the Authority's Cumberland plant in Tennessee. Island Creek, which has the capacity to produce 20m tonnes a year, plans to produce it at two deep mines which are currently closed and which will need to be re-equipped at a cost of $11m.

Island Creek, which already sells about 1m tonnes a year to the Authority under other contracts, says that the final agreement, to be signed within the next three weeks, can be reopened after five years at the request of either side.

Gerard McCloskey is editor of the FT International Coal Report.

LONDON MARKETS

COFFEE PRICES fell back sharply yesterday following Monday's strong gains. Further gains were made early on but the market then went into reverse and the January position ended the day £27 lower at £1,856.50 a tonne. Speculative selling was encouraged by reports of rain in Brazilian growing regions and an assurance from Uganda's Minister of Co-operatives that the country would be able to meet its International Coffee Agreement export quota. Concern about drought in Brazil and transport problems in Uganda had been the main reasons for Monday's strong advance, which took nearby positions nearly £100 a tonne higher. Some dealers thought that just as the rise had been overdone yesterday's fall was not fully justified. They said the rain in Brazil may have come too late to help the coffee crop.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	659-2	—12	—
3 months	683-5	—12.2	694/681

Official closing (am): Cash 659-.5 (673-.5), three months 683-.5 (696-.5), settlement 659.5 (673.5). Final Kerb close: 685-7.

Turnover: 30,675 tonnes.

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

RUBBER

INDICES

MAIN PRICE CHANGES

COCOA

COFFEE

POTATOES

FREIGHT FUTURES

SOYABEAN MEAL

GRAINS

SUGAR

MEAT

JUTE

WOOL FUTURES

SPOT PRICES

U.S. MARKETS

NEW YORK

CHICAGO

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Interest rates depress dollar

The dollar lost ground yesterday amid fears that central banks were working to reduce interest rate differentials. Japanese rates have been allowed to rise so that a reduction in the margin enjoyed by holders of U.S. denominated instruments over domestic Japanese paper has decreased to such an extent that it no longer compensates adequately for exposure to foreign exchange loss.

There were mixed opinions as to whether the U.S. Fed would reduce the discount rate as part of a new squeeze on the dollar. What is certain is that recent operations have effectively left the initiative with central banks and speculative demand for the dollar has evaporated. Some corporate demand has enabled the dollar to remain within recent trading ranges and central banks may be content to exert maximum effect with minimum effort.

The market also took note of comment made by Mr Paul Volcker, chairman of the U.S. Federal Reserve Board, which suggested that the U.S. administration would have to effect more fundamental changes in economic policy in order to suppress the dollar. Dealers suggested this as a direct reference to the very large U.S. Federal budget deficit.

£ IN NEW YORK

	Oct. 29	Prev. close
£ Spot	$1.4370-4380	$1.4380-4390
1 month	0.44-0.41 pm	0.41-0.40 pm
3 months	1.21-1.16 pm	1.20-1.11 pm
12months	3.45-3.35 pm	3.45-3.55 pm

Forward premiums and discounts apply to the U.S. dollar

The dollar closed at DM 2.6210 its lowest level since April 1984 and down from DM 2.6430 on Monday. Against the yen it fell to its lowest level since April 1981, finishing at Y212.30 from Y213.50. Elsewhere it slipped to SwFr 2.1490 from SwFr 2.1670 and FFr 8.0025 compared with FFr 8.0550. On Bank of England figures, the dollar's exchange rate index fell from 130.5 to 130.0.

STERLING — Trading range against the dollar in 1985 is 1.4490 to 1.0525. September average 1.3657. Exchange rate index rose to 80.5 from 80.6, having opened at 80.5. The six months ago figure was 77.8.

Sterling remained on the sidelines, improving against the dollar but easing against European currencies. It closed at $1.4345-1.4355, a rise of 75 points but fell against the D-mark to DM 3.7625 from DM 3.7725. It was also lower against the yen at Y304.50 from Y304.75 and SwFr 3.0850 compared with SwFr 3.0925. Against the French franc it slipped to FFr 11.4850 from FFr 11.4975.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.6190. September average 2.8370. Exchange rate index 122.1 against 121.4 six months ago.

The D-mark was firmer yesterday as continued moves by central banks continued to depress the dollar. The U.S. unit was fixed at DM 2.6325 in Frankfurt down from DM 2.6458 on Monday and the Bundesbank sold a nominal $1.8m at the fixing. Market attention was firmly focussed on the conduct of central banks and their efforts to influence currency movements through interest rates rather than the spot market. Much will depend on how far central banks are prepared to move interest rates in relation to the possible effects on domestic economic growth.

The dollar closed at DM 2.6215 from DM 2.6430 in a late flurry of activity with attention drifting for a while to focus on tomorrow's U.S. trade figures. A poor number is expected, reinforcing the need for a lower dollar.

POUND SPOT—FORWARD AGAINST POUND

October 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4255-1.4395	1.4345-1.4355	0.40-0.37c pm	3.21	1.22-1.18pm	3.34
Canada	1.9510-1.9650	1.9577-1.9611	0.48-0.39c pm	2.68	1.46-1.31pm	2.82
Nethlnd.	4.2401-4.2504	4.2445-4.2455	1⅞-1⅝c pm	4.96	5¼-5⅛pm	5.18
Belgium	76.12-76.50	76.30-76.40	21-26c pm	3.89	61-52c pm	2.96
Denmark	13.63-13.69	13.63-13.65	2⅞-1⅝ore pm	2.03	7¾-6⅝pm	2.10
Ireland	1.2049-1.2198	1.2150-1.2170	0.24-0.10p pm	1.67	0.69-0.39pm	1.76
W. Ger.	3.7578-3.7737	3.7620-3.7630	2⅛-1⅞pf pm	6.37	6⅞-5⅞pm	6.38
Portugal	232.13-236.72	233.19-236.30	110-365c dis	−12.22	445-1310dis	−15.04
Spain	230.98-231.75	231.03-231.42	5pm-36c dis	−1.03	50-165dis	−1.86
Italy	2.535-2.549	2.541-2.542	2-5 lire dis	−1.65	8-12dis	−1.57
Norway	11.285-11.343	11.307-11.308	⅛-1⅞ore dis	−0.79	2⅛-3⅞dis	−0.92
France	11.458-11.509	11.484-11.486	2⅛-1⅞c pm	2.08	5⅞-4⅞pm	1.71
Sweden	11.300-11.343	11.307-11.308	2⅛-2⅞ore dis	−2.65	7⅞-8⅞dis	−2.78
Japan	303.45-305.42	304.45-304.55	1-⅛y pm	3.45	3-2⅞pm	3.77
Austria	26.43-26.54	26.43-26.47	14-12⅛gro pm	5.98	39⅞-35⅞pm	5.65
Switz.	3.0799-3.0957	3.0845-3.0855	1⅞-1⅞c pm	6.80	5⅞-5⅞pm	6.88

Belgian rate is for convertible francs. Financial franc 77.10-77.20. Six-month forward dollar 2.21-1.18c pm, 12-month 3.55-3.40c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

October 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4255-1.4395	1.4345-1.4355	0.40-0.37c pm	3.21	1.22-1.18pm	3.34
Ireland†	1.1733-1.1815	1.1795-1.1805	0.20-0.15c pm	1.78	0.62-0.55pm	1.99
Canada	1.3645-1.3666	1.3645-1.3655	0.47-0.43c pm	2.76	1.41-1.33pm	2.80
Nethlnd.	2.9530-2.9615	2.9575-2.9585	0.45-0.40c pm	1.71	1.42-1.37pm	1.87
Belgium	53.04-53.41	53.15-53.25	1-3c dis	−0.45	3-7dis	−0.37
Denmark	9.4930-9.5625	9.5045-9.5095	⅛-1ore dis	−0.94	1⅛-2dis	−0.37
W. Ger.	2.6160-2.6385	2.6205-2.6215	0.72-0.69pf pm	3.27	2.10-2.05pm	3.15
Portugal	162⅛-164	162⅞-163⅞	125-300c dis	−15.59	450-1050dis	−18.35
Spain	160.80-161.75	160.95-161.15	40-60c dis	−3.71	185-255dis	−5.44
Italy	1,767-1,779⅞	1,769-1,771	7-8 lire dis	−5.08	21⅛-23dis	−5.02
Norway	7.87-7.91	7.87-7.89	2⅛-3ore dis	−1.16	8⅞-9⅞dis	−4.36
France	7.9800-8.0395	8.0020-8.0030	0.70-1.00c dis	−0.35	3.30-3.80dis	−1.76
Sweden	7.87-7.92	7.87-7.89	3⅞-4⅞ore dis	−6.07	11⅞-12⅞dis	−6.07
Japan	212.10-213.00	212.25-212.35	0.13-0.10y pm	0.64	1.10-1.00pm	1.97
Austria	18.40-18.52	18.40-18.43	4-3⅞gro pm	2.32	12⅞-9⅞pm	2.37
Switz.	2.1465-2.1630	2.1485-2.1495	0.67-0.62c pm	3.58	2.00-1.90pm	3.61

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 53.70-53.80.

EXCHANGE CROSS RATES

Oct. 29	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.435	3.765	304.5	11.49	3.085	4.245	2542.	1.959	76.55
$	0.697	1.	2.622	212.2	8.003	2.150	2.958	1771.	1.365	53.21
DM	0.266	0.381	1.	80.93	3.062	0.820	1.128	675.5	0.521	20.39
YEN	3.284	4.713	12.36	1000.	37.72	10.13	13.94	8346.	6.435	250.7
F Fr.	0.871	1.249	3.276	265.1	10.	2.685	3.696	2213.	1.706	66.48
S Fr.	0.324	0.465	1.220	98.70	3.723	1.	1.376	823.8	0.635	24.75
H Fl.	0.236	0.338	0.886	71.73	2.705	0.727	1.	598.7	0.462	17.99
Lira	0.393	0.565	1.480	119.8	4.519	1.214	1.670	1000.	0.771	30.04
C $	0.510	0.732	1.920	155.4	5.861	1.574	2.166	1297.	1.	38.97
B Fr.	1.310	1.880	4.928	398.8	15.04	4.041	5.560	3329.	2.566	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Oct. 29	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11⅛-11¼	11⅜-11½	11⅜-11½	11⅜-11½	11⅜-11½	11⅜-11½
U.S. Dollar	7¾-7⅞	7⅞-8⅛	8-8⅛	8⅛-8¼	8¼-8⅜	8⅜-8½
Can Dollar	8-8¼	8¼-8½	8⅝-9⅛	8⅞-9¼	8⅞-9	8⅞-9
D Guilder	6-6⅛	6⅛-6¼	6⅛-6¼	6⅛-6¼	6¼-6⅜	6¼-6⅜
Sw. Franc	0-¼	1⅛-1⅜	4⅛-4¼	4⅝-4¾	4⅝-4¾	4⅝-4¾
Deutschmrk	4⅝-4¾	4⅝-4¾	4⅝-4¾	4⅞-5⅛	5⅛-5¼	5⅛-5¼
Fr. Franc	9⅛-9⅜	9⅛-9¼	9⅛-9¼	9¾-9⅞	10⅛-10⅜	11-11¼
Italian Lire	12-13½	11⅝-13⅛	13-13⅝	13⅛-13¾	13⅝-13¾	13⅝-14⅛
B.Fr.(Fin)	8¼-8½	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅞-9⅛
Br.Fr(Con)	8¼-8½	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	8⅝-8⅞	9-9¼
Yen	6⅞-7	7⅛-7⅜	7⅛-7¼	7¼-7⅜	7¼-7⅜	7-7¼
D. Krone	9¼-10	9¾-10¼	9-9½	9-9½	9⅛-9⅝	9¼-9¾
Asian $ (Sng)	7⅞-8	8⅛-8⅜	8⅛-8¼	8⅛-8¼	8¼-8⅜	8⅛-8⅜

Long-term Eurodollars: two years 9¼-9½ per cent; three years 9⅝-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

Oct. 29	Bank of England Index	Morgan Guaranty Change %
Sterling	80.6	−9.8
U.S. dollar	130.0	+18.1
Canadian dollar	83.9	−8.7
Austrian schilling	118.8	+5.1
Belgian franc	92.0	−9.8
Danish Kroner	81.5	−3.9
Deutsche mark	128.1	+9.9
Swiss franc	151.6	+13.5
Guilder	118.0	+5.3
French franc	68.7	−12.6
Lire	44.5	−19.8
Yen	171.5	+24.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Oct. 29	£	$
Arg'tina	1.1480-1.1511	0.8000-0.8010
Aus'alia	2.0418-2.0455	1.4275-1.4290
Brazil	12,127-12,192	8,445-8,485
Finland	8.0936-8.1074	5.6490-5.6510
Greece	218.84-223.57	153.25-156.45
H'kong	11.2088-11.2199	7.7995-7.8015
Iran	122.75*	85.50*
Kuwait	0.4225-0.4235	0.29435-0.29455
Lux'burg	77.10-77.20	53.70-53.80
Malay'sa	4.2255-4.2300	2.4510-2.4530
N'Z'land	2.5520-2.5420	1.7660-1.7765
Saudi Ar.	5.2415-5.2550	3.6490-3.6500
Sin'pore	3.0575-3.0675	2.1365-2.1385
S.Af.(Cm)	3.6838-3.7145	2.5605-2.5870
S.Af.(Fn)	4.9545-5.1320	3.4480-3.5715
U.A.E.	5.2745-5.2800	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Oct. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.745281	0.585706
U.S.$	7½	1.06851	0.840195
Canadian $	8.77	*	1.14881
Austria Sch.	4	19.7749	15.5436
Belgian Fr.	9	56.9636	44.8119
Danish Kr.	7	10.20000	8.02093
D mark	4	n/a	2.21140
Guilder	5	3.17401	2.49496
French Fr.	9½	8.57319	6.74089
Lira	15½	n/a	1493.03
Yen	5	227.379	178.710
Norway Kr.	8	8.44230	6.63965
Span'h Pta.	—	172.583	135.692
Swedish K.	10½	8.45459	6.64133
Swiss Fr.	4	2.30659	1.81230
Greek Dr'ch	20½	165.384	129.945
Irish Punt	—	n/a	0.715060

* C$/SDR rate for October 5: 1.45567.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	8.02093	−1.32	−0.93	±1.5425
Danish Krone	8.12857	2.21140	−1.21	−0.82	±1.6421
German D-mark	2.23840	6.74089	−1.79	−1.40	±1.1455
French Franc	6.86402	2.49496	−1.08	−0.69	±1.3654
Dutch Guilder	2.52208	0.715060	−1.31	−0.92	±1.5162
Irish Punt	0.724578	1493.03	−1.81	−1.73	±1.6673
Italian lira	1520.60	44.8118	−0.05	+0.34	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Sentiment improves

Prices rose on the London International Financial Futures Exchange yesterday, amid generally encouraging economic signs. Dealers pointed to the significance of the $17.75bn U.S. Treasury refunding programme beginning last night. Tomorrow's auction of bonds is regarded as particularly important, as it will show how strong Japanese demand is for U.S. paper, after the sharp rise in yields on Japanese Government bonds during the last week. Yesterday's rise in Eurodollar and U.S. bond futures indicated growing confidence that Japan's very large trade surplus requires a more liquid market for investment than Tokyo, and this means the refunding package by the U.S. Treasury will be successful. Tomorrow is also regarded as important because U.S. trade figures and leading indicators will be published, and are expected to confirm that industrial and economic performance in general is sluggish.

If Friday's U.S. unemployment data points in the same direction, market hopes of an early cut in the Federal Reserve's discount rate will rise. Last week's M1 money supply also showed a larger than expected fall, bringing growth nearer the Feds target range, and also building up confidence on the interest rate front. Although the money supply trend is expected to be reversed this week, in the present mood of the market this may not be regarded as too disappointing.

Among other factors boosting sentiment dealers also mentioned the weakness of the dollar; a bounce in the Japanese bond market; and a lower Federal funds rate, although the Feds' intervention again to drain funds from the New York banking system came too late to influence Liffe.

Sterling denominated contracts also gained from the general improvement in sentiment, and from the rise of the pound on the foreign exchanges, which threatened to touch a new high for the year against the dollar.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4350	1.4312	1.4230	1.4128	1.4003

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4305	1.4335	1.4265	1.4200
March	1.4200	1.4235	1.4150	1.4086
June	1.4110	1.4145	1.4095	1.4016

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4315	1.4325	1.4212	1.4210
March	1.4205	—	—	1.4105
June	1.4125	—	—	1.4025

Est. volume 76 (23)
Previous day's open int. 3,815 (3,836)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3829	0.3820	0.3812	0.3802
March	0.3857	0.3846	0.3846	0.3832
June	0.3887	—	—	0.3863

Est. volume 39 (27)
Previous day's open int. 427 (429)

STERLING INDEX

	Oct 29	Previous
8.30 am	80.5	80.6
9.00 am	80.6	80.6
10.00 am	80.6	80.6
11.00 am	80.7	80.6
Noon	80.8	80.4
1.00 pm	80.7	80.5
2.00 pm	80.8	80.5
3.00 pm	80.9	80.5
4.00 pm	80.8	80.6

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	112-15	112-18	112-02	112-05
March	112-17	—	—	112-07
June	—	—	—	112-16
Sept	111-17	—	—	111-07
Dec	111-17	—	—	111-07

Est. volume 3,956 (7,086)
Previous day's open int. 5,473 (4,922)
Basis quote (clean cash price of 13¼% Treasury 2004-08 less equivalent price of near futures contract) −6 to +4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-58	97-60	97-52	97-53
March	98-08	—	—	98-02

Est. volume 528 (1,155)
Previous day's open int. 1,585 (1,813)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.63	88.63	88.52	88.65
March	89.12	89.12	89.00	89.11
June	89.34	89.33	89.26	89.34
Sept	89.31	89.30	89.24	89.32
Dec	89.27	89.27	89.20	89.28

Est. volume 2,709 (1,487)
Previous day's open int. 7,411 (7,562)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	137.25	137.30	134.65	135.15
March	138.25	138.65	137.65	138.15

Est. volume 513 (1,710)
Previous day's open int. 1,732 (229)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.90	91.91	91.80	91.82
March	91.62	91.62	91.50	91.51
June	91.27	91.27	91.16	91.16
Sept	90.92	90.91	90.82	90.82
Dec	90.59	—	—	90.49

Est. volume 4,464 (3,125)
Previous day's open int. 21,431 (21,296)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	76-26	76-27	76-09	76-17
March	75-16	75-17	75-03	75-08

Est. volume 4,485 (2,850)
Previous day's open int. 3,475 (3,338)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	76-26	76-28	76-15	76-08
March	75-17	75-18	75-04	74-30
June	74-12	74-12	74-01	73-25
Sept	73-11	73-11	73-00	72-24
Dec	72-11	72-11	72-07	71-28
March	71-15	71-15	71-10	70-30
June	—	—	—	70-05
Sept	—	—	—	—
Dec	—	—	—	68-26
March	—	—	—	68-08

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
Dec	92.95	92.95	92.91	92.88
March	92.71	92.71	92.65	92.62
June	92.36	92.36	92.35	92.29
Sept	—	92.04	92.04	91.97
Dec	91.73	91.73	—	91.67
March	91.46	91.46	—	91.39
June	—	91.19	91.19	91.14
Sept	90.93	90.93	—	90.92

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	—	92.19	92.13	92.11
March	91.90	91.90	91.90	91.81
June	91.52	91.52	—	91.42
Sept	—	—	—	91.07

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.89	91.90	91.83	91.79
March	91.62	91.62	91.52	91.48
June	91.24	91.24	91.18	91.12
Sept	—	90.88	90.82	90.77
Dec	—	90.55	90.48	90.44
March	—	90.24	90.18	90.13
June	—	89.95	89.88	89.84
Sept	—	89.66	89.62	89.57

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	24.00	24.00	24.20	—	0.15	0.36	0.75	—
1.25	19.00	19.30	19.00	—	0.15	0.55	1.30	—
1.30	14.00	14.40	14.40	50	0.20	1.30	2.30	—
1.35	8.20	9.60	10.40	50	0.40	2.15	4.00	—
1.40	4.40	6.50	7.60	—	1.35	4.00	6.10	20
1.45	1.70	3.80	5.60	203	3.90	6.70	8.80	1
1.50	0.80	2.30	3.70	53	7.90	10.20	11.90	—

Previous day's open interest: Calls 7,878, Puts 9,578

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	—	—	—	—	—	—	—	—
1.25	—	—	—	—	—	—	—	—
1.30	13.40	13.40	—	502	—	1.00	—	10
1.35	8.70	—	10.20	510	—	2.00	—	20
1.40	4.30	—	7.40	156	1.20	3.80	—	30
1.45	1.55	3.85	—	332	—	—	—	—
1.50	0.50	2.30	—	298	—	9.70	—	200

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	1.90	1.64	1.38	—	—	0.02	0.11	—
90.50	1.40	1.18	0.97	—	—	0.06	0.20	—
91.00	0.91	0.76	0.63	—	0.01	0.14	0.36	—
91.50	0.45	0.42	0.36	45	0.05	0.30	0.59	47
92.00	0.13	0.19	0.18	162	0.23	0.57	0.91	110
92.50	0.02	0.06	—	10	0.62	0.94	—	—
93.00	—	—	—	—	1.10	—	—	—

Previous day's open interest: Calls 2,564, Puts 2,809

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
1.20	23.80	23.80	23.80	—	—	0.17	0.75	—
1.25	18.80	18.80	18.80	—	—	0.49	1.47	—
1.30	13.80	13.80	13.85	—	0.04	1.17	2.60	100
1.35	8.80	9.44	10.50	16	0.30	2.39	4.25	31
1.40	4.45	6.35	7.70	299	1.30	4.30	6.45	210
1.45	1.80	4.01	5.46	2	3.65	6.96	9.21	125
1.50	0.53	2.37	3.75	5	7.38	10.32	12.50	50

Previous day's open interest: Calls 9,774, Puts 15,212

MONEY MARKETS

Signs of increased stability

There was a little more stability on world money markets yesterday, after a confusing period when the U.S. Federal Reserve appeared to be tightening interest rate policy, in contrast to market expectations of lower interest rates and a weaker dollar after the Group of Five meeting in late September. Higher rates in Japan and West Germany were not unexpected, and were seen as further measures to strengthen the yen and D-mark agreed at the G5 meeting.

But Monday's drain of liquidity in New York, when Federal funds were at 7⅞ per cent, was probably a technicality. Dealers also attached little underlying significance to a further drain yesterday, through matched sales, when funds were trading at 7¹¹⁄₁₆ per cent. Speculation increased that rather than tighten credit policy the Fed may soon cut its discount rate.

The Bundesbank also moved to drain liquidity on Monday, through action in the forward exchange market. This drove up Euromark rates and was designed to keep domestic German rates steady across the end of the month, and discourage an outflow of funds attracted by higher yields in foreign centres. Call money rose to 4.40 per cent from 4.35 per cent in Frankfurt yesterday, and period rates were also higher.

In Tokyo interest rates were more stable, and appeared reluctant to move to 8 per cent yesterday, after the recent strong upward surge, encouraged by the Bank of Japan last week.

The Bank of England initially forecast a London money market shortage of £250m, but changed this to £300m, and provided total help of £301m.

Before lunch the authorities bought £148m bills outright, by way of £56m bank bills in band 1 at 11⅝ per cent; £13m bank bills in band 2 at 11⅜ per cent; £32m bank bills in band 3 at 11½ per cent; and £47m local authority bills in bank 4 at 11⅞ per cent.

In the afternoon another £83m bills were bought outright at unchanged rates, through £20m bank bills in band 1; £15m bank bills in band 2; £33m Treasury bills and £13m local authority bills in band 3; and £2m bank bills in band 4. Late assistance of £70m was also provided.

Three-month sterling interbank finished unchanged at houses buying rates for three-11⅜-11⁹⁄₁₆ per cent, and discount month bank bills were 11⅜ per cent against 11⅜-11⅞ per cent.

UK clearing banks base lending rate 11½ per cent since July 30.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	7¹¹⁄₁₆
Treasury Bills & Bonds	
One month	7.18
Two month	7.29
Three month	7.45
Six month	7.72
One year	8.00
Two year	8.77
Three year	9.18
Four year	9.46
Five year	9.59
Seven year	10.06
10 year	10.17
30 year	10.44

MONEY RATES

Oct. 29	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.35-4.45	4.7-4.8	4.7-4.8	4.90-5.05	4.95-5.10	5.5
Paris	9⅛	9⅛-9¼	9⅛ 9¼	9⅛-9⅞	9⅞-9⅞	9⅛
Zurich	59⅛-60⅛	4¼-4⅝	—	4⅞-4⅞	—	—
Amsterdam	6-6⅛	6⅛-6¼	—	6¼-6⅜	6⅞-6⅞	—
Tokyo	7.03125	7.78125	7.78125	7.78125	—	—
Milan	14⅝-14¾	14¾-15⅛	—	14⅝-15	—	—
Brussels	7.30	8⅝ 8¾	—	8⅝-8⅞	8⅝ 8⅞	—
Dublin	10-10¼	9⅞-10⅛	9¾-10	9¾-10	9⅞-10⅛	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 29)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/4	offer 8 3/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Oct. 29	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-11⅛	11⅛-11⅜	11⅜-11⅜	11⅜-11⅞	11⅛-11⅞	11⅜-11⅜
Sterling CDs	—	—	11⅜-11⅜	11⅜-11⅞	11⅜-11⅞	11⅞-11⅞
LocalAuthorityDepos	11⅛-11⅜	11⅜-11⅜	11⅝	11⅞	11½	11¼
Local Author'y Bonds	—	—	12	11⅞	11⅞	11⅞
Discount Mkt Depos.	6-10⅝	11⅛	11⅜	11¼	—	—
Company Depos.	7-11⅛	11¾	11⅝-11⅞	11⅞	—	—
Finance Hse Depos.	—	—	11⅝	11⅞	11⅝	11⅞
Treasury Bills (Buy)	—	—	11⅜	11⅞	—	—
Bank Bills (Buy)	—	—	11⅜	11⅜	10⅞-10⅞	—
Fine Trade Bills (Buy)	—	—	11⅞	11⅞	11⅛	—
Dollar CDs	—	—	7.9-8.0	7.95-8.05	8.05-8.15	8.35-8.45
SDR Linked Depos	—	—	7⅞-8⅛	7⅞-8⅛	8⅛-8⅜	8⅞-9
ECU Linked Depos	—	—	8⅜-8½	8⅜-8⅞	8⅛-8⅝	8¼-8½

Treasury Bills (sell): one-month 11⅜ per cent; three-months 11⅜ per cent. Bank bills (sell): one-month 11⅜ per cent; three-month 11⅜ per cent. Treasury Bills: Average tender rate of discount 11.1334 per cent. ECGD Fixed Finance IV: September 4 to October 1 (inclusive): 11.557 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from October 1 1985. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11⅜ per cent; three-six months 11¼ per cent; six-nine months 11⅛ per cent; nine-12 months 11 per cent. Under £100,000 10¾ per cent from October 2. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7½ per cent.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	1985 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
101 1/16	99 1/16	Exch. 11¾pc '86	100 1/16	+1/16	11.75	11.26
99¾	97 1/16	Treas. 10pcCnv 1986	99 7/16	+1/16	10.06	11.29
96½	92¾	Treas 3pc 1986	96 [illegible]	−1/16	3.13	10.73
100	97½	Exch. 10½pc Cv '86	99 11/32	−1/32	10.54	11.31
101⅞	99⅝	Treas 12pc 1986	100 3/16	+1/16	11.96	11.36
98½	94¼	Treas 8¾pc 1984-86‡‡	98 [illegible]	−1/16	8.66	11.28
105 [illegible]	102 [illegible]	Exch. 14pc 1986	102 [illegible]	+1/16	13.63	11.08
94½	87⅝	Exch. 2½pc 1986	94¼	....	2.65	8.29
104 [illegible]	101 [illegible]	Exch. 13¾pc 1987	102 [illegible]	+1/16	12.93	10.96
99 [illegible]	96⅝	Treas 10½pcCv '87	99¼	+1/16	10.33	10.80
93¼	85½	Exch 2½pc 1987	92 [illegible]	....	2.70	8.44
100 [illegible]	96¾	Exch. 10½pc 1987	99 [illegible]	....	10.55	10.82
95 [illegible]	89	Funding 6½pc '85-87‡‡	94 [illegible]	+1/16	6.85	10.24
99 [illegible]	95½	Treas. 10pc 1987	98 [illegible]	+1/16	10.12	10.79
91¼	84¾	Treas 3pc 1987	91 [illegible]	+⅛	3.29	8.65
102 [illegible]	99⅝	Treas. 12pc 1987	102 [illegible]	....	11.76	10.84
95 [illegible]	90¼	Treas 7¾pc 1985-88‡‡	94 [illegible]	+1/16	8.20	10.49
100 [illegible]	95¼	Exch 10½pc '88	99 [illegible]	+1/16	10.53	10.67
98¾	93¾	Treas 9¾pc Cv '88	97¾	+1/16	9.97	10.74
87 [illegible]	80	Transport 3pc '78-88	86 [illegible]	....	3.45	8.57
97⅝	91½	Treas. 9½pc '88	96⅝	+⅛	9.81	10.75
102⅝	97½	Treas 11½pc 1989	102 [illegible]	+⅛	11.25	10.66
97 [illegible]	90¾	Treas 9½pc Cnv. '89	96 [illegible]	+⅛	9.84	10.71
84	79	Treas 3pc 1989	83 [illegible]	+1/16	3.58	8.39
99⅞	94	Treas 10½pc 1989	99¼	+⅛	10.58	10.74
98¾	92	Exch 10pc 1989	97 [illegible]	+⅛	10.22	10.70
101 [illegible]	95	Exch 11pc 1989	100⅞	+⅛	10.90	10.71
86¼	79	Treas 5pc 1986-89	86	+1/16	5.81	9.31
108 [illegible]	103¼	Treas 13pc 1990‡‡	108 [illegible]	+⅛	12.08	10.54
101⅝	96 [illegible]	Exch 11pc 1990‡‡	101	+⅛	10.89	10.67
108¼	100¾	Exch. 12½pc 1990	106 [illegible]	+⅛	11.74	10.63
80 [illegible]	75¾	Treas. 3pc 1990	80 [illegible]	+1/16	3.74	8.36
93¼	87¾	Treas 8¼pc 1987-90‡‡	92 [illegible]	+1/16	8.91	10.30
[illegible]	[illegible]	[illegible]	97 [illegible]	[illegible]	10.26	10.68

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

1985 High	1985 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
69	53	Stakis 10p	69	+4	[illegible]	2.8	2.1	[illegible]
161	119	Trusthouse Forte	144	+3	[illegible]	1.7	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

Tins

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
290	205	Ayer Hitam SM1	205	−10	vQ140c	1.0	20.0
250	132	Geevor	132	−3	12.0	♦	13.0
175	87	Gopeng Berhad M$0.50	87	−3	gS0.16	♦	6.6
650	650	Hongkong	650#		—	—	—
27	11	Jantar 12½p	18		2.5	♦	19.8
55	29	Malaysia Mng. 10c	29	−1	vQ6c	2.4	6.8
38	17	♥Pahang	17#		8—	—	—
650	200	Pengkalen 10p	200	−25	—	—	—
275	160	Petaling SM1	160		vQ60c	♦	11.0
275	175	Sungei Besi SM1	180	+5	vQ43c	—	7.0
285	170	Tanjong 15p	175	+5	g3.5	—	2.9
250	90	♥Tongkah H. Tin SM1	125	+15	vQ23c	1.2	5.6
305	170	Tronoh SM1	170	−5	tvQ64c	1.1	11.0

Miscellaneous

1985 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
55	30	Anglo-Dominion	30		—	—	—
41	33	Anglo Utd Dev	36	+1	bQ1.05	2.1	4.2
350	117	♥Centennial Min'ls.	162		—	—	—
120	48	♥Colby Res Corp.	48		—	—	—
550	225	Cons. Murch. 10c	240		gQ86½c	3.9	9.4
40	24	‡Emess Int. Ir10p	38		—	—	—
123	93	Greenwich Res.	95	−3	—	—	—
215	115	Hampton Areas 10p	130	−2	3.75	0.9	3.9
260	135	♥Highwood Res.	150		—	—	—
£22½	£15¾	Homestake Mining $1	£15⅞	−⅛	Q20c	—	0.9
310	255	♥McFinley Red Lake	230	−5	—	—	—
335	195	♥Musto Explorations	230	−5	—	—	—
55	23	♥New Sabina Res C$1	45		—	—	—
375	195	Northgate C$1	200		—	—	—
685	530	RTZ	554xd	+11	†20.0	2.8	5.2
£145½	£116½	Do. 9⅝pcLn '95-2000	£123xd	+1	Q9½%	14.0	7.9
980	910	♥Tara Exptn $1	925		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −	Stock	Price	+ or −
Albany Inv 20p	99	+1	Arnotts	215	+3
Craig & Rose £1	700		CPI Hldgs.	63	
Finlay Pkg. 5p	54		Carroll Inds.	140	
Higsons Brew	235		Dublin Gas	85	
Holt (Jos) 25p	715		Hall (R. & H.)	60	+1
IoM Stm. £1	85		Heiton Hldgs.	22½	+½
IRISH			Irish Ropes	45	
Fund 11¼% 1988	£100⅞	−½	Unidare	112	
Nat. 9¾% 84/89	£96	−¼	For Jacob (W. & R.) see Foods		
Fin. 13% 97/02	£104	−3¼			

"Recent Issues" and "Rights" Page 38
(International Edition Page 30)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Surge to record levels triggered by excellent Marks & Spencer interim statement

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 30	Oct 10	Oct 11	Oct 21
Oct 14	Oct 24	Oct 25	Nov 4
Oct 28	Nov 7	Nov 8	Nov 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

A fresh influx of investment funds swept many shares to new high points in London yesterday. After a shaky start on a none-too-encouraging economic report, the tone stabilised and then responded to the demand which came from both institutional and private investors. Once again second-line stocks were high on buyers' lists and the continuing popularity of these issues was the key to the market's strength.

Leading shares were overlooked initially but later helped by an excellent trading statement from top retailer Marks and Spencer. The group's first-half net profit of £137m exceeded the highest market forecast and attracted heavy buying which lifted the shares 17 to a year's high of 182p. Other Stores were also supported and the sector concluded on an optimistic note.

Sterling's resumed firmness against the dollar had scant effect on sentiment and many international stocks made upward progress. Takeover speculation reached most corners of the market, although only one new bid was announced, and almost every sector had an outstanding performer. Building shares again took top honours in terms of trade on continuing hopes that the Government may decide to increase spending on public works and roads.

Midday news of the latest Confederation of British Industry monthly survey, which was gloomy about the business outlook but bullish over inflation because of a significant reduction in cost pressures, failed to dampen enthusiasm. Late in the session, fresh buying gave impetus to the upturn which also gathered momentum from signs of increasing stock shortages. The upshot was that the FT Ordinary share index closed 12.7 up at a best-ever 1,061.3.

Gilt-edged market attention was focused on the exchange rate. Its improvement encouraged small interest but the demand was soon satisfied and prices fluctuated narrowly throughout the morning. Institutions were thought to be waiting for a clearer assessment of the Japanese situation and the outcome of this week's U.S. Treasury funding programme before committing themselves. In the late afternoon, however, all Gilts edged forward with more conviction and selected longer maturities finally regained ¾ of Monday's sharp losses. Index-linked stocks were the exceptions and lost ground reflecting the better news on inflation.

Composite Insurances plotted an irregular course in moderate trading. Royals dropped to 706p before rallying to finish a net 2 better on balance at 718p; the third-quarter figures are scheduled for November 14. Perennial takeover favourite Commercial Union closed the turn dearer at 249p, after 246p. GRE, however, gave up 5 at 705p.

Secondary Breweries returned to the fore as investors took a confident view awaiting the Trade and Industry Secretary's decision on the Matthew Brown/Scottish and Newcastle bid situation. Vaux continued to lead the way, rising 10 for a two-day gain of 21 to 378p, while Greene King rose 6 to 230p, after 234p. Davenports closed 13 up at 270p and Boddingtons hardened 3 to 99p. Bid speculation continued in H. P. Bulmer, finally 12 up at 187p, while fellow cider maker Merrydown, the subject of an investment recommendation in the trade Press, improved 20 to 345p in sympathy. Distillers were again lively; down to 438p initially, the shares attracted fresh support and touched 448p before closing at 445p for a net gain of 5. Argyll Group eased 5 to 330p, after 325p. Elsewhere in distilleries, Invergordon, still benefiting from Press mention, rose 9 to 174p, albeit in a restricted market.

Construction and Cement issues enjoyed another extremely active session, with quotations rising to new peaks. Among the leaders, Blue Circle stood out with a rise of 17 to 603p, while rises of [illegible] were seen in Taylor Woodrow, 551p, and McAlpine, 338p; the former were helped by reports of a seminar with brokers Hoare Govett. Hopes of a bid from C. H. Beazer prompted speculative activity in Bellway, 6½ dearer at 147½p. Ward Holdings were again the subject of takeover speculation but eased to 246p before rallying to close 3 firmer on balance at 251p. McCarthy and Stone advanced 20 to 270p, while Travis and Arnold were prominent in Timbers with a gain of 10 to 323p. Watts Blake Bearne, reflecting news that Cermic Holdings had increased its stake in the company, put on 4 to 190p.

ICI traded quietly before closing a few pence lower at 639p.

Stores buoyant

Marks and Spencer advanced 17 to a 1985 peak of 182p in heavy trading when the interim profits surpassed expectations. The optimism generated by the news permeated throughout the sector and other leading Retailers also attained new highs for the year. Gains of around 8 were common to Burton, 540p, British Home Stores, 315p, and Boots, 217p; the last-mentioned is due to reveal interim results next month. Woolworth advanced 13 to 550p, but talk of a sizeable put-through unsettled Harris Queensway which reverted to the overnight 258p, after 264p. Mail-order shops also displayed some notable gains with Freemans 8 higher at 344p and Empire 6 to the good at 164p. Further consideration of the agreed bid proposals lifted Owen Owen 17 more to 440p, while suitors Ward White touched 328p before settling 10 up on balance at 324p. Speculative support was again evident for James Beattie "A", 6 up at 98p, after 100p, and for Goodman Bros, 5 dearer at 34p. Goldsmiths, on the other hand, dipped 8 to 168p on further reflection of the interim statement, while profit-taking clipped 6 from recent high-flier Cantors "A" at 86p.

The beleaguered Electrical majors staged a useful rally. Racal, at 128p, recovered 6 of the recent sharp fall which followed profits downgradings by various broking houses and news of rationalisation plans at its Racal Milgo data telecommunications subsidiary in Florida. GEC closed the same amount better at 169p and Thorn EMI advanced 7 to 374p. BICC added 5 at 233p and Plessey improved a couple of pence to 134p. British Telecom, still reflecting hopes of the company receiving the green light from the Monopolies Commission to acquire a 51 per cent stake in Canada's Mitel, hardened 2 more to 189p. Elsewhere, Cray gained 13 to 233p in response to news of the acquisition of Malvern Instruments, while Amstrad continued to reflect recent Press comment with a fresh improvement of 4 at 178p. CASE moved up 17 to 122p and Pressac added 10 at 123p, but CML Microsystems fell that much to 130p. MicroFocus dropped 15 to 100p on lack of support.

GKN featured an otherwise quiet Engineering sector, rising 10 to 260p helped by news of the joint venture with Mitsubishi Steel Manufacturing. Outside of the leaders, ML Holdings were outstanding at 358p, up 21p, following the success of the recent rights issue, while Clayton Son, a weak market recently on the half-year loss, rallied 9 to 110p. Hopkinsons edged up 4 further to 170p and Blackwood Hodge found support at 35p, up 3. Woodhouse and Rixson, however, fell 3 to 38½p on the disclosure that the Viranl Group had sold its stake in the company.

Sporadic offerings in front of today's annual meeting clipped 4 from Associated Dairies, at 138p. Unigate retreated 6 to 255p, while Cadbury Schweppes cheapened 3 to 143p as did Tate and Lyle, to 500p. Elsewhere, United Biscuits rallied from 193p to close a couple of pence dearer at 199p as takeover speculation revived, while continuing talk of a possible bid from A. Fisher lifted Glass Glover 6 further to 238p. AB Foods added a similar amount at 262p and Calleas rose 10 to 275p. Carrs Milling, still drawing strength from an investment recommendation, added 4 afresh at 169p, but J. E. England, fell 10 to 48p as bid hopes faded. S. and W. Berisford reflected the prevailing uncertainty in commodity markets with a loss of 2 to 173p, after 169p.

Among quietly firm Hotels, Grand Metropolitan put on 5 at 383p.

Pilkington good

Gains in the miscellaneous industrial leaders were usually limited to a few pence or so. Pilkington Bros, however, encountered persistent demand and put 18 to 295p, while Reed International improved 9 more to 689p awaiting today's interim figures. Elsewhere, Prestwich responded afresh to the bumper preliminary figures and closed 12 to the good at 208p, after 212p. Also reflecting trading statements, Clement Clarke advanced 15 to 132p, while Renwick put on 10 further to 310p. Appledore came to life with a gain of 21 to 335p. Speculative demand left Relyon 20 higher at 160p and Cope Allman up 12 further to 128p. Hestair were supported at 128p, up 6. Other bright spots included Times Veneer, 5 to the good at 40p, and Marley, 4 better at 101p. Dalgety, partly reflecting worries about the crisis in the tin market, met fresh selling and fell to 450p before steadying to close 8 down on the day at 450p. Profit-taking clipped 7 from J. Billam, at 90p, while occasional offerings and lack of support left Channel Tunnel 55 lower at 150p.

Interest in leading Properties remained at a low ebb with Land Securities and MEPC rarely straying from their overnight levels of 316p and 310p respectively. Elsewhere, however, Belgrave advanced 4 to 116p on speculation surrounding Gomba Holding's sizeable stake in the company. Bairstow Eves softened a couple of pence to 113p in the wake of further profit-taking in the absence of the widely-rumoured bid.

Tobaccos returned to favour. Bats advanced 12 to 283p, after 285p, while Imps closed 5 to the good at 215p. Rothmans rose 4 to 132p.

Among Investment Trusts, Drayton Premier eased a few pence to 510p—still 10 above the cash offer from the NCB pension funds. Financials continued to attract a fair measure of attention. Stockjobbers Smith Bros, still excited by Gartmore's purchase of a 5 per cent stake, responded to revived speculative support and attained a new peak of 179p before settling 7 dearer at 178p. Exco, on balance, the subject of favourable Press mention, hardened 4 more to 224p, after 227p, but profit-taking clipped a couple of pence from London Investment Trust at 28p. Britannia Arrow put on 2, to 142p, still a couple of pence below the share-exchange terms from minority shareholders Guinness Peat, unchanged at 77p. Exploration Co advanced 5 to 65p in reply to the increased first-half profits. Brint Investments, quoted on the USM, touched 155p before closing only 3 up on balance at 148p as the company sold its entire 19.9 per cent stake in British Benzol, 1¼ up at 21½p.

Oils gain ground

The continued firmness in crude oil spot markets prompted a much livelier business in oils. The leading issues opened higher and improved throughout the session to close with good gains across the board. BP and Shell rose around 11 apiece at 576p and 695p respectively, while Britoil added a like amount at 223p; Britoil partly-paid were similarly firmer at 143p. News of Lasmo's 12.5 per cent interest in Tenneco's oil and gas discovery in the North Sea saw Lasmo marked up 8 to 255p. Ultramar were 7 to the good at 205p and Tricentrol edged up 5 to 185p, while gains in the region of 4 were common to Burmah, 308p, and Enterprise, 174p.

Among secondary oils New London were well supported and settled 5 harder at 55p. Norway's Norsk Hydro continued to reflect strong overseas buying interest and rose ¾ more to £13¼, after a year's best of £13⅜.

Consgold advance

Consolidated Gold Fields put on another strong performance and raced ahead to close 21 firmer at 481p reflecting persistent talk of a consortium bid for the company. Among other UK Financials, Rio Tinto-Zinc drew strength from the firm showing by domestic equities and settled 11 to the good at 554p.

The rest of the mining sector, however, remained generally depressed. South African gold and related issues lost further ground following the latest decline in the Financial Rand, although the latter picked up in after-hours trading. Share prices, in sterling terms, were additionally unsettled by the firm performance of the pound and tended to drift in relatively quiet trading before edging off the bottom in late trading.

Nevertheless, the majority of the leading issues were left with losses on balance and the Gold Mines index posted a 3.9 decline to 248.4—its lowest level since August 10, 1982.

Another bout of profit-taking in overnight markets "down-under" prompted renewed falls in Australians at the outset of London trading. Thereafter, prices continued to drift owing to the firmer trend in sterling.

Malaysian Tins fell away for the third successive trading session awaiting a resumption of trading of tin on the London Metal Exchange. Cornwall's Geevor dipped 3 more to a 1985 low of 132p while Ayer Hitam fell a further 10 to 205p and Tronoh a like amount to 170p.

FINANCIAL TIMES STOCK INDICES

	Oct. 29	Oct. 28	Oct. 25	Oct. 24	Oct. 23	Oct. 22	year ago
Government Secs	83.64	83.60	84.04	84.35	84.47	84.47	81.02
Fixed Interest	89.48	89.52	90.02	90.35	90.38	90.35	84.00
Ordinary	1061.3	1048.6	1050.8	1051.6	1051.3	1041.0	885.1
Gold Mines	248.4	252.3	257.1	262.5	250.2	253.8	510.4
Ord. Div. Yield	4.54	4.59	4.56	4.59	4.59	4.63	4.79
Earnings, Yld. % (full)	11.12	11.23	11.22	11.23	11.24	11.35	11.43
P/E Ratio (net) (*)	11.11	10.99	11.01	10.99	10.96	10.88	10.50
Total bargains (Est.)	24,672	24,219	24,771	23,062	23,142	24,135	18,859
Equity turnover £m	—	441.57	479.33	472.65	416.2	412.74	252.58
Equity bargains	—	23,377	27,006	24,586	21,837	22,431	17,062
Shares traded (mil)	—	320.7	291.6	259.2	202.1	199.5	145.8

10 am 1045.1. 11 am 1049.6. Noon 1053.4. 1 pm 1054.8. 2 pm 1055.4. 3 pm 1056.5. 4 pm 1059.5.

Day's High 1061.3. Day's Low 1044.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.71.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	84.57 (16/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (25/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1061.3 (29/10)	911.0 (28/1)	1061.3 (29/10/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	248.4 (29/10)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Oct. 28	Oct. 25
Daily Gilt Edged Bargains	127.9	133.6
Equities Bargains	150.8	175.0
Value	592.5	568.8
5 day Average Gilt Edged Bargains	117.0	119.6
Equities Bargains	154.1	156.4
Value	598.5	662.6

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct 21	Nov 1	Jan 23	Feb 3
Nov 4	Nov 15	Feb 6	Feb 17
Nov 18	Nov 29	Feb 20	Mar 3

For rate indications see end of Unit Trust Service

Call options were taken out in Sound Diffusion, Victor Products, Goodman Bros, Birmid Qualcast, Bestwood, Falcon Resources, Belhaven, Amstrad, Burmah, Barratt Developments, Boots and Racal. Puts were done in Dalgety and Sound Diffusion, while a double option was transacted in Holt Lloyd.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or–	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+or–
[illegible]							

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+or–
[illegible]					BASF A.G. DM 50		
					Brasway 10p		
					Crowther (J)		
					Ergo		
					Garfunkels' Rest. 10p		
					Howard & Wyndham 5p		
					Ml. Hldgs		

Renunciation date usually last day for dealing free of stamp duty. [illegible]

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (151)

[illegible]

NEW LOWS (63)

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]		
Corpns. Dom. and Foreign Bonds			
Industrials			
Financial & Props.			
Oils			
Plantations			
Mines			
Others			
Totals	850	513	1,621

ACTIVE STOCKS YESTERDAY

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Boots	217	+8
Channel Tunnel Inv.	150	−55
Cray Electronics	233	+13
Dalgety	450	−8
Imperial Group	215	+5
Marks and Spencer	182	+17
Pilkington Bros	295	+18
Racal	128	+6
Shell Transport	695	+11
Sound Diffusion	44	+11
Taylor Woodrow	551	+16
Ward White	324	+10

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Ward Hldgs	17	248	−4
Euro. Ferries	17	156	+4
Owen Owen	16	423	+20
Britannia Arrow	15	140	+2
United Parcels	15	235	+6
Cns. Gld. Flds.	14	460	+10
ICI	14	642	−16
Prestwich	13	196	+19
BTR	12	380	+8
Cantors "A"	12	92	+8
Rugby P. Cmt.	12	148	+7
Cooper Inds.	11	24½	—

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Oct 29 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Mon Oct 28 Index No.	Fri Oct 25 Index No.	Thur Oct 24 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	595.24	+1.3	10.41	4.09	12.04	13.61	588.10	586.92	585.52	526.65
2	Building Materials (22)	[illegible]									
3	Contracting, Construction (26)										
4	Electricals (13)										
5	Electronics (59)										
6	Mechanical Engineering (61)										
8	Metals and Metal Forming (7)										
9	Motors (16)										
10	Other Industrial Materials (20)										
21	CONSUMER GROUP (177)										
22	Brewers and Distillers (23)										
25	Food Manufacturing (22)										
26	Food Retailing (14)										
27	Health and Household Products (9)										
29	Leisure (25)										
31	Newspapers, Publishing (12)										
32	Packaging and Paper (13)										
34	Stores (42)										
35	Textiles (16)										
36	Tobaccos (3)										
41	OTHER GROUPS (99)										
42	Chemicals (19)										
44	Office Equipment (4)										
45	Shipping and Transport (11)										
46	Miscellaneous (63)										
47	Telephone Networks (2)										
49	INDUSTRIAL GROUP (482)										
51	Oils (18)										
59	500 SHARE INDEX (500)										
61	FINANCIAL GROUP (114)										
62	Banks (6)										
65	Insurance (Life) (9)										
66	Insurance (Composite) (7)										
67	Insurance (Brokers) (7)										
68	Merchant Banks (11)										
69	Property (51)										
70	Other Financial (23)										
71	Investment Trusts (107)										
81	Mining Finance (3)										
91	Overseas Traders (14)										
99	ALL-SHARE INDEX (738)										
	FT-SE 100 SHARE INDEX	1364.4	+16.6					1347.8			

FIXED INTEREST

	PRICE INDICES	Tues Oct 29	Day's change %	Mon Oct 28	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	119.50	+0.10	119.38	—	9.61
2	5–15 years	132.71	+0.19	132.45	—	11.87
3	Over 15 years	138.25	+0.23	137.92	—	13.34
4	Irredeemables	149.24	+0.06	149.11	—	11.33
5	All stocks	130.61	+0.17	130.39	—	11.86
6	Debentures & Loans	113.77	−0.24	114.04	—	8.97
7	Preference	83.65	—	83.65	—	5.78
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	110.46	−0.18	110.66	—	2.69

AVERAGE GROSS REDEMPTION YIELDS

		Tues Oct 29	Mon Oct 28	Year ago (approx.)
	British Government			
1	Low Coupons 5 years	[illegible]		
2	15 years			
3	25 years			
4	Medium Coupons 5 years			
5	15 years			
6	25 years			
7	High Coupons 5 years			
8	15 years			
9	25 years			
10	Irredeemables			
11	Debs & Loans 5 years			
12	15 years			
13	25 years			
14	Preference			
15	Index-linked Inflation rate 5%	3.61	3.59	3.35
16	Inflation rate 10%	3.42	3.40	3.15

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 29,970

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option	Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
[illegible]						

Option	Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
[illegible]						

Option	Calls Dec.	Calls Mar.	Calls June	Puts Dec.	Puts Mar.	Puts June
[illegible]						

October 29 Total contracts 12,691 Calls 8,536 Puts 4,155

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Oct. 29	Price Sch%	+ or −
Creditanst'lt ppd	366	+1
Goesser	490	
Interunfall	1,420	+20
Laenderbank	351	+3
Perimooser	636	−2
Stey Daimler	146	+1
Veitscher Mag	719	

BELGIUM/LUXEMBOURG

Oct. 29	Price Frs.	+ or −
B.B.L.	2,455	
Banq. Gen. Lux	8,500	+50
Banq. Int.A.Lux	8,100	
Bekaert	7,300	
Ciment CBR	2,730	
Cockerill	208	+3
Delhaize	8,550	
EBES	3,580	+10
Electrobel	10,600	+175
Fabrique Nat.	2,330	+45
GB Inno BM	4,970	
GBL (Brux)	2,605	+155
Gevaert	4,570	+115
Hoboken	5,600	+150
Intercom	2,710	+75
Kredietbank	10,000	
Pan Hldgs	9,500	+30
Petrofina	6,600	+190
Royale Belge	15,000	
Soc. Gen. Banq.	4,100	
Soc. Gen. Belge	2,310	+30
Sofina	8,400	+20
Solvay	5,720	+70
Stanwick Intl	1,170	
Tractionel	4,700	+70
UCB	5,490	+40
Wagon Lits	3,995	−275

DENMARK

Oct. 29	Price Knr %	+ or −
Andelsbanken	368	−12
Baltic Skand	680	−35
Cop Handelsb'nk	318	−7
D. Sukkerfab.	480	−15
Danske Bank	357	−7
De Danske Luft.	1,480	
East Asiatic	254	−5
Forenede Brygg.	1,075	
Forenede Damp.	239	−2
GNT Hld	660	
I.S.S.B.	625	−15
Jyske Bank	590	−20
Novo Inds	1,250	−35
Privatbanken	315	−10
Provinsbanken	465	−5
Smidth (F.L.) B	333	−3
Sophus Berend.	1,105	
Superfos	385	−8

FRANCE

Oct. 29	Price Frs.	+ or −
Emprunt 4½% 1973	1,559	+2
Emprunt 7% 1973	8,060	−5
Accor	266.5	+1.5
Air Liquide	551	−11
BIC	477	+13
Bongrain	1,460	−15
Bouygues	735	+18
BSN Gervais	2,305	+2
CIT Alcatel	1,180	[illegible]

GERMANY

Oct. 29	Price Dm.	+ or −
AEG	265	+6
Allianz Vers	1,766	−19
BASF	263.7	−3.3
Bayer	253	−4
Bayer-Hypo	429	+0.5
Bayer-Verein	425	−5
BHF-Bank	394	+7
BMW	507	+3
Brown Boveri	282.2	+0.7
Commerzbank	257.3	−2.7
Cont'l. Gummi	163.7	+0.7
Daimler-Benz	1,104	+29
Degussa	482	−3
D'sche Babcock	220	+5
Deutsche Bank	685	+9.5
Dresdner Bank	337	+1
GHH	213	−3
Hochtief	816	
Hoechst	253.2	−3.6
Hoesch Werke	167.5	−2.8
Holzmann (P)	512	−4
Horten	209.1	−4.9
Hussel	365	+4
Karstadt	283	−5
Kaufhof	316	−6
KHD	313	+1
Kloeckner	91.5	+3
Linde	595	−3
Lufthansa	219	−1
MAN	198	+1
Mannesmann	253.5	−1.5
Mercedes Hld.	1,012	+54
Metallgesell	328	+6
Muench Rueck	2,400	+50
Nixdorf	570	−3
Porsche	1,347	+4
Preussag	285	−5
Rhein West Elect	204	−6
Rosenthal	300	−5
Schering	636	−14
Siemens	658	+3
Thyssen	165.6	−1.1
Varta	285.5	+1.5
Veba	270.5	+0.5
V.E.W.	141.7	−1.5
Verein-West	356	
Volkswagen	365.2	−3.2

ITALY

Oct. 29	Price Lira	+ or −
Banco Com'le	24,675	+375
Bastogi-IRBS	411	−8
Centrale	3,550	+54
C.I.R.	6,230	+230
Credito Italiano	3,250	−20
Fiat	4,645	+100
Generali Assicur.	64,500	+990
Italcementi	47,800	+500
La Rinascente	929.5	+3.5
Montedison	2,480	+20
Olivetti	7,399	+49
Pirelli Co	6,410	−35
Pirelli Spa	3,205	+56
Saipem	7,035	+14
Snia BPD	4,075	+52
Toro Assic	20,200	+150

NETHERLANDS

Oct. 29	Price Fls	+ or −
ACF Holding	243	−2

NORWAY

Oct. 29	Price Kroner	+ or −
Bergens Bank	165	+5
Borregaard	444	−1
Christiania Bank	170	+5
DenNorske Cred	170	+3
Elkem	100	−3.5
Kosmos	187.5	−1.5
Kvaerner	169.5	+2.5
Norske Data	430	+19
Norsk Hydro	153.5	+10.5
Storebrand	290	+9

SPAIN

Oct. 29	Price Pts %	+ or −
Bco Bilbao	368	+11
Bco Central	327	
Bco Exterior	205	
Bco Hispano	161	−1
Bco Popular	385	
Bco Santander	375	+1
Bco Vizcaya	525	−3
Dragados	144	−1
Hidrola	85	−0.5
Iberduero	100.2	−1.3
Petroleos	145.2	−1.3
Telefonica	126.7	−1.3

SWEDEN

Oct. 29	Price Kroner	+ or −
AGA	145	−4
Alfa-Laval B	226	−1
ASEA (Free)	286	−5
Astra (Free)	470	+20
Atlas Copco	135	−2
Cardo (Free)	223	+2
Cellulosa	140	−2
Electrolux B	165	−2
Ericsson B	205	−8
Esselte	355	−5
Mo och Domajo	160	−5
Pharmacia	180	+2
Saab Scania Free	425	
Sandvik	500	
Skandia	260	+1
Skan Enskilda	59.5	−0.5
SKF	250	−4
Sonneson	174	+4
Stora Kopparbrg	147	−3
Sven Handlesbn	192	−1
Swedish Match	216	−2
Volvo B (Free)	237	

SWITZERLAND

Oct. 29	Price Frs.	+ or −
Adia Intl.	4,275	−75
Alusuisse	685	−2
Bank Leu	3,850	
Brown Boveri	1,720	−20
Ciba Geigy	3,410	+35
do. (Part Certs)	2,770	
Credit Suisse	3,140	−20
Elektrowatt	3,400	−40
Fischer (Geo.)	1,010	−20
Hoff-Roche PtCts	104,500	+250
Hoff-Roche 1/10	10,425	−25
Jacobs Suchard	7,575	−125
Jelmoli	3,440	−10
Landis & Gyr	2,185	−15
Nestle	7,610	+10
Oer-Buehrle	1,485	+5
Pirelli	395	−5
Sandoz (Br)	8,850	+50

AUSTRALIA (continued)

Oct. 29	Price Aust.$	+ or −
Gen. Prop. Trust	2.06	−0.04
Hardie (James)	3.5	−0.05
Hartogen Energy	2.35	−0.05
Herald W'yTimes	6.0	
ICI Aust	2.25	+0.05
Jimberlana F.P.	0.27	−0.03
Kia Ora Gold	0.13	−0.01
Lend Lease	6.8	
MIM	2.62	−0.04
Mayne Nickless	3.55	+0.05
Myer Emporium	3.65	+0.05
Nat. Aust. Bank	4.93	−0.02
News	8.66	−0.04
Nicholas Kiwi	2.5	−0.1
North Bkn Hill	2.35	−0.11
Oakbridge	1.48	−0.02
Pancontinental	1.85	−0.02
Pioneer Conc	2.4	−0.05
Poseidon	3.7	−0.05
Queensland Coal	1.52	−0.03
Reckitt & Colman	3.95	
Repco	1.47	−0.03
Santos	5.5	−0.04
Smith (Howard)	6.1	−0.2
Thos. Natwide	2.46	−0.02
Tooth	5.6	
Vamgas	3.6	
Western Mining	3.53	−0.11
Westpac Bank	4.95	−0.15
Woodside Petrol	1.4	
Woolworths	3.42	
Wormald Intl.	3.65	

HONG KONG

Oct. 29	Price H.K.$	+ or −
Bank East Asia	22.6	−0.2
Cheung Kong	19.6	+0.2
China Light	15.8	+0.1
Evergo	0.62	+0.01
Hang Seng Bank	45.5	−0.25
Henderson Land	2.25	
HK China Gas	11.2	
Hk Electric	8.2	
HK Kowloon Wh.	7.1	
HK Land	6.65	+0.05
HK Shanghai BK.	7.4	
HK Telephone	9.0	
Hutchison Wpa	26.0	−0.3
Intnl. City	0.98	+0.01
Jardine Math	12.6	
New World Dev.	8.1	+0.1
Orient O'seas	1.99	
SHK Props	13.2	
Shell Elect	0.92	
Swire Pac A	27.2	
TV—B	6.05	−0.15
World Int. Hldgs.	2.3	+0.05

JAPAN

Oct. 29	Price Yen	+ or −
Ajinomoto	1,150	−10
All Nippon Air	612	+9
Alps Electric	1,570	−30
Asahi Chem	750	−14
Asahi Glass	870	+10
Bank Tokyo	756	−8
Bridgestone	565	−5
Brother Inds	550	−15
Canon	1,230	−20
Casio Comp	1,830	−50

JAPAN (continued)

Oct. 29	Price Yen	+ or −
MHI	395	+6
Mitsui Bank	1,120	
Mitsui	425	
Mitsui Estate	980	+15
Mitsui Toatsu	229	
Mitsukoshi	643	−1
Nikko Sec	750	−30
NGK Insulators	876	+1
Nippon Denso	1,420	−10
Nippon Elect	1,180	−20
Nippon Express	615	+18
Nippon Gakki	1,560	+10
Nippon Kogaku	876	−24
Nippon Kokan	139	+1
Nippon Oil	795	+44
Nippon Seiko	486	−6
Nippon Shimpan	710	−10
Nippon Steel	165	+2
Nippon Suisan	370	−10
Nippon Yusen	348	+7
Nissan Motor	600	
Nisshin Flour	493	+12
Nomura	1,090	−20
Olympus	1,060	−40
Onado Cement	330	−5
Orient Finance	986	−11
Orient Leasing	2,540	+20
Pioneer	1,720	+20
Ricoh	1,080	
Sankyo	1,080	
Sanwa Bank	1,320	+20
Sanyo Elect	422	−2
Sapporo	596	+4
Sekisui Prefab	850	+20
Seven-Eleven	8,400	+150
Sharp	875	−4
Shimizu Constn	368	+7
Shionogi	780	−1
Shiseido	1,250	−10
Showa Denko	219	−1
Sony	3,900	−150
S'tomo Bank	1,710	+10
S'tomo Chem	260	−5
S'tomo Corp	735	+14
S'tomo Elect	840	−22
S'tomo Metal	145	−3
Taisei Corp.	340	+9
Taisho Marine	580	+10
Taiyo Kobe Bank	726	+2
Takeda	900	+5
TDK	4,130	+120
Teijin	519	+9
Toa. Nenryo	1,080	+50
Tokai Bank	1,000	
Tokio Marine	940	+9
Tokyo Elect Pwr.	2,350	+30
Tokyo Gas	304	+2
Tokyu Corp	530	+13
Toppan Print	900	+2
Toray	525	
Toshiba Elect	371	−12
Toyo Seikan	1,480	−20
Toyota Motor	1,140	
UBE Inds	226	−1
Victor	1,410	−30
Yamaha	680	
Yamaichi Sec	690	−15
Yamazaki	934	+18
Yasuda Fire	569	+9

SINGAPORE

Oct. 29	Price $	+ or −
Boustead Hldgs.	1.52	−0.02
Cold Storage	3.16	+0.06
DBS	5.65	
Genting	5.85	
Haw Par. Bros.	2.19	+0.02
Hong Leong Fin.	2.50	−0.03
Inchcape Bhd	2.10	−0.05

CANADA

TORONTO

Prices at 2.30pm October 29

MONTREAL

Closing prices October 28

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 33

Indices

NEW YORK—DOW JONES

Utilities	160.70*	158.28	158.16	158.96	157.31*	156.24	160.91 (12/7)	146.54 (4/1)	160.91 (12/7/85)	10.5 (28/4/42)
Trading vol		97.8m	101.8m	123.1m	121.6m	111.3m	—	—	—	—

	Oct 18	Oct 11	Oct 4	Year Ago (Approx)
Ind Div Yield %	4.58	4.60	4.64	4.71

STANDARD AND POORS

	Oct 29	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	210.55*	208.92	208.73	208.86	210.27*	209.62	215.83 (19/7)	128.24 (4/1)	215.83 (19/7/85)	3.62 (30/6/32)
Composite	188.41*	187.76	187.52	188.50	188.60*	188.04	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Oct 23	Oct 16	Oct 9	Year Ago (Approx)
Ind div yield %	3.73	3.75	3.96	4.10
Ind. P/E Ratio	12.68	12.64	12.27	10.79
Long Gov Bond Yield	10.35	10.50	10.61	12.28

N.Y.S.E ALL COMMON

Oct 29	Oct 28	Oct 25	Oct 24	1985 High	1985 Low
108.25*	108.42	108.36	108.88	113.48 (17/7)	94.60 (4/1)

RISES AND FALLS

	Oct 25	Oct 24	Oct 23
Issues traded	1,977	1,985	1,993
Rises	551	711	866
Falls	883	807	644
Unchanged	543	447	483

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Southern	4,463,200	20⅝	+ ⅛
Con Ed NY	3,510,400	35½	—
Texas Oil Gas	2,929,000	18	−1
Mobil	2,248,700	31½	+ ½
AT & T	2,164,000	20	− ⅛
U.S. Steel	2,105,800	28⅛	+ ⅛
East Air	1,683,000	6⅞	− ¼
Day Pwr Li	1,471,200	19⅛	+ ½
AZP Group	1,431,300	25⅛	—
Amerada Hess	1,378,500	32	+1⅛

TORONTO

	Oct 29	Oct 28	Oct 25	Oct 24	1985 High	1985 Low
Metals & Minls	1,752.1*	1,769.9	1,746.29	1,790.6	2198.7 (13/2)	1796.4 (23/10)
Composite	2,648.7*	2,637.2	2,632.80	2,647.2	2819.9 (30/8)	2348.5 (9/1)
MONTREAL Portfolio	127.19*	126.30	126.08	127.39	139.33 (18/7)	117.88 (4/1)

* Indicates pre-close figure

LONDON Chief price changes (in pence unless otherwise indicated)

RISES

Ex 13¼% '96	£115¼	+¾+
Appledore	335	+21
BAT Inds	283	+12
Blue Circle	603	+17
Boots	217	+8
BP	576	+11
Britoil	223	+11
Bulmer (HP)	187	+12
Clarke (Clem)	132	+15
Con Gold	486	+21
Cope Allman	252	+12
Cray Elec	233	+13
GEC	166	+6
Glass Glover	238	+6
Goodman Bros	34	+5
GKN	260	+10
M L Hldgs	358	+21
McCarthy & S	270	+20
Marks & S	182	+17
Owen Owen	540	+17
Paterson Zoch	215	+9
Pilkington	295	+8
Prestwich	208	+12
Racal Elec	138	+6
Relyon	180	+20
Smith Bros	178	+7
Taylor Woodrow	551	+16
Vaux	378	+10

FALLS

Channel Tun	150	−55
England (JE)	46	−10

North American quarterly results

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, October 29

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	16	AAR	.56	2.6	14	98	22⅛	21¾	21¾	−⅝
17⅝	9¾	AGS			13	111	16¼	15¾	16⅛	+⅜
50¾	29¾	AMR			7	10643	39⅛	38	38⅝	−⅛
23⅝	18⅝	AMR pf2.18		9.3		85	23½	23⅜	23⅝	+⅛
25⅞	23	ANR pf 2.67		11.		1	24⅛	24⅛	24⅛	+¼
13¾	7⅝	APL				10	10	10	10	
61⅛	34¾	ASA	2	5.4		72	36⅞	36⅝	36⅞	+⅛
27	10½	AVX	.32	2.8		135	11½	11	11½	+⅜
25⅛	19¼	AZP	2.72	11.	7	x2520	24¾	24¼	24¾	+⅜
60	38⅝	AbtLab 1.40		2.4	15	630	57½	56½	57¼	+¾
25⅞	18⅝	AccoWd .50		2.2	17	182	23⅛	22⅞	22⅞	+⅛
24⅝	11½	AcmeC .40		3.4		37	11⅞	11⅝	11⅞	
10½	7¼	AcmeE .32b		4.4	11	x12	7¼	d7	7	
19	15½	AdaEx 1.92e		11.		186	17⅝	17¼	17⅜	−⅛
20	13½	AdmMl .32		1.7	8	72	18⅝	18½	18⅝	+⅜
15½	8⅝	AdvSys .53t		3.7	20	30	14⅝	14¼	14¼	−⅛
36⅝	22⅞	AMD			35	2615	24¼	23⅝	23⅞	+¼
12⅛	6⅞	Advest .12		1.4	19	98	8⅞	8⅝	8⅝	
15⅞	10	Aerflex			13	70	15¼	14⅞	14⅞	−⅜
49⅝	34⅝	AetnLf 2.64		5.4	16	2614	48¾	47¾	48⅝	+¾
57½	53¼	AetL pf5.41e		9.7		80	56⅛	56	56	
37⅝	22⅛	Ahmns 1.20		3.3	6	3878	36½	35	36¼	+1¼
3⅝	2½	Aileen				18	2¾	2¾	2¾	+⅛
57	44⅞	AirPrd 1.48		2.7	11	351	54⅝	54⅛	54¼	−⅛
24⅝	17½	AirbFrt .60		2.9	12	19	21	20⅝	20⅝	−⅜
2⅛	1¼	AlMoa s.10e		5.7		24	1¾	1¾	1¾	
29¼	23⅝	AlaP pf2.74e		9.6		182	28½	28⅜	28½	
33⅝	29¼	AlaP pfA3.92		13.		13	30¾	30⅝	30⅝	−⅛
8⅝	6¾	AlaP dpf.87		11.		29	7⅞	7¾	7⅞	+⅛
74	61	AlaP pf 8.16		11.		z530	72	72	72	+1
75	60	AlaP pf 8.28		12.		z10	71	71	71	+1
28⅝	12½	AlskAir .16		.9	7	713	18⅛	17¾	18⅛	−⅛
25	12½	Albrto s .38		1.6	18	x6	23⅞	23⅞	23⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17	14⅛	PetRs pf1.57		9.2		19	u17⅛	17	17	
8	2¼	Ptrinv .90e		27.		3	3½	3⅜	3⅜	
53¾	38¾	Pfizer	1.48	3.3	13	3876	45⅝	45	45⅜	+⅜
24	12⅞	PhelpD				1286	15⅞	15½	15¾	
45¾	29	PhibrS	.54	1.4	19	4659	38⅝	36⅞	38	+1¼
16⅜	13¼	PhilaEl	2.20	14.	6	2675	15½	15¼	15½	
36½	28¾	PhilE pf4.40		13.		z300	34	34	34	+½
58	45½	PhilE pf 7		13.		z300	53¼	53¼	53¼	−¾
69	56	PhilE pf8.75		14.		z550	65¾	64¾	64¾	
11½	9¼	PhilE pf1.41		13.		68	10⅞	10½	10⅞	+⅛
10⅞	8¾	PhilE pf1.33		13.		59	10¼	9¾	10⅛	
61	50½	PhilE pf7.85		14.		z400	58⅛	58⅛	58⅛	+1⅛
10⅛	8½	PhilE pf1.28		13.		172	9⅞	9⅝	9⅞	+⅛
126	108	PhilE pf 17.13		14.		z400	120	119	119	−1
79	63	PhilE pf9.52		13.		z10	75	75	75	−1
74	61½	PhilE pf9.50		13.		z400	70⅜	70⅜	70⅜	+⅞
61	50	PhilE pf7.80		13.		z500	59	58⅛	59	+⅛
23¼	15¾	PhilSub	1.32	6.3	12	10	21	20⅞	21	+⅜
85⅛	72	PhilMr	4	5.4	8	4367	74½	72½	74⅛	+1¼
28¾	16⅝	Philpin	.60	2.7	12	382	22½	22¼	22⅜	+⅛
18¾	11¼	PhilPt s	1	7.6	11	7800	13⅛	12⅞	13⅛	+⅛
25½	22¾	PhilPt pf1.04e		4.4		21	24	23⅞	23⅞	−⅛
30⅝	20⅝	PhilVH	.40	1.4	14	65	29⅝	28¾	28¾	−⅞
35⅝	25	PiedA s	.28	.9	7	249	30¾	30¼	30¼	−⅛
34	28	PieNG	2.32	7.4	11	9	31¼	31	31¼	
25¼	14⅝	Pier 1			13	14	23¼	22⅞	23⅛	+¼
63½	38¾	Pilsbry	1.72	3.0	13	605	57¼	56¼	57⅛	+⅜
34	21½	Pioneer	1.24	5.4	5	411	23⅝	23	23⅛	
26¾	13½	PionrEl	.08e	.5		16	15⅞	15¾	15⅞	+½
45½	32½	PitnyB	1.20	2.9	14	818	41¼	40¾	41	+¾
90	66	PitnB pf2.12		2.6		3	81¾	81¾	81¾	+1¾
14½	9⅜	Pittstn				512	13½	13¼	13½	+¼
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
10	4	Towle pf .44		11.		5	4⅛	4	4	−⅛
41¼	25¼	ToyRU s			25	1147	33¾	32⅝	33⅝	+1
28¼	17	Tracr s	.32	1.9	11	368	17⅜	17	17¼	
23	8⅞	TWA				909	22⅝	22⅜	22⅝	−⅛
16	13	TWA pf 2.25		14.		59	15¾	15½	15⅝	+⅛
34½	18½	TWA pfB2.25		6.7		124	33¾	33⅝	33⅝	−⅛
32⅝	24¾	Transml	.68	5.4	15	1449	31¼	31	31¼	+⅛
21⅞	17⅜	TranInc	2.22	11.		31	21¼	21	21	−¼
14	11¼	TARlty	1	8.2	88	3	12¼	12¼	12¼	
21⅛	15¼	TrnCdan	1.12	7.1	7	9	15⅞	15¾	15⅞	+⅜

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
28⅜	15½	Wynns	.60	3.5	7	56	18	17⅜	17⅜	−¾
		X Y Z								
55½	35¾	Xerox	3	6.0	14	3169	50¼	48½	50⅛	+1¾
55½	48⅛	Xerox pf5.45		9.9		2	54⅞	54⅞	54⅞	−⅛
30¼	24⅜	ZaleCp	1.32	4.8	12	32	27¼	27	27¼	+¼
18	7¼	Zapata	.12	1.5	55	67	7⅞	7¾	7¾	−⅛
67⅝	32⅜	Zayre s	.48	.9	17	208	55⅜	54⅛	55⅜	+1⅛
25	16¼	ZenithE				838	157	16⅞	16¾	16¾
21⅞	15¾	Zero s	.32	1.7	16	397	19⅝	19⅜	19⅜	−¼
37¾	23⅜	Zurnin	1.32	3.8	13	40	34¾	34⅝	34⅝	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, October 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hunds)	High	Low	Last	Chng
[illegible]					

Continued on Page 31

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Fed policy speech sets firm tone

COMMENTS on Federal Reserve policies from Mr Paul Volcker, the chairman, took Wall Street financial markets confidently into the first leg of the Treasury's $17.75bn funding programme yesterday, *writes Terry Byland in New York.*

Renewed demand for blue chips pushed the Dow Jones industrial average to a new peak at mid-session, and bonds gained more than a point on reports of strong demand at the day's auction of $6.75bn four-year Treasury notes.

At 3 pm the Dow Jones industrial average was 12.77 up at 1,372.76. This compared with the record closing high of 1,369.29 set on October 17.

The stock market was led forward by technology stocks. Texas Instruments recouped $1½ to $92 after falling sharply in the two previous sessions in response to trading figures.

Pharmaceuticals also advanced and takeover stocks provided many features. The broader market also strengthened as buying spread across the full range.

Strong demand for IBM, up $1 at $130⅝, and a rally in General Motors, up $⅝ at $65¾, gave the market a good start. Digital Equipment added $⅝ to $112¾, and other big computer names to find buyers included Burroughs, up $½ at $56¾ and Honeywell, $⅜ better at $59⅞.

However, Control Data slipped $⅜ to $17¼ as the market continued to digest its trading statement.

Xerox, the office copier manufacturer, jumped $1⅛ to $50, reflecting Wall Street's satisfaction with third-quarter results, which included financial charges against the insurance division.

It was a busy session for the Wall Street securities firms themselves. Bear Stearns, the major securities trader, shed its private corporation status with a public issue of 10m shares at $21.50 each. Phibro-Salomon put on $1¼ to $38 as investors viewed favourably the groups reduced role in the Philipp Bros commodity trading arm.

However, E F Hutton held unchanged at $33⅞ after the firm agreed to appoint a consultant to review internal audit procedures in the wake of the cheque overdrafting problems which have brought further comments from the SEC.

Renewed signs that the dollar is on the way down brought sharp gains in pharmaceuticals. Merck, a component of the Dow average, jumped $2 to $114, and Pfizer at $45⅝ added $⅝.

Bid situations returned to centre stage. Hoover, the vacuum cleaner company, was suspended ahead of Chicago Pacific's agreement to pay $43 a share for the equity. Hoover returned to trade at $42⅞, a net gain of $1 as some speculators bailed out, disappointed that the revised terms were not higher.

Rumours of a rival bid for Hoover from Scott & Fetzer were scotched when Scott agreed to its own acquisition by Berkshire Hathaway at $55 a share.

Speculative buyers of Chesebrough-Pond's returned in force, pushing the stock up $1¾ to $43½ on hints of an impending bid move from Unilever, the Anglo-Dutch food and cosmetics group recently thwarted in its pursuit of Richardson-Vicks.

Huge turnover in Beatrice Foods left the stock down $½ at $43⅜. Kellog, the breakfast food group, bounced up $2 to $65¼ after reporting higher profits and a stock split.

Airline stocks looked irregular, with United down $1 at $47 in response to the latest trading news. The other domestic carriers also eased but Pan Am edged up $¼ to $7⅛ as bid hopefuls kept the stock on the boil.

Ensearch, the natural gas company, added $¾ to $23⅛ on the results, while an increased dividend brought buyers back in for Warner-Lambert.

But GCA, the semiconductor manufacturer, fell a sharp $1⅜ to $9⅝ after announcing a trading loss and a technical loan default.

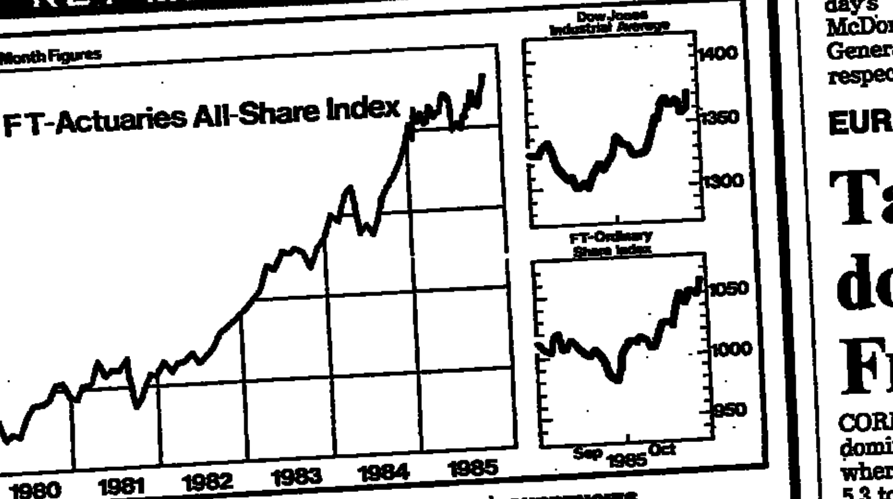
In the credit market, bond prices sharply extended early gains towards mid-session on favourable reports from the auction of Treasury securities. Prices had opened strongly after Mr Volcker said Fed policy was "relatively accomodative."

The key long bond showed a gain of more than one point. However, dealers commented that the serious test for the market will come when Thursday's auction of 20-year bonds will disclose the level of foreign, and particularly Japanese, interest in U.S. bonds.

Short-term yields edged lower, helped by federal funds comfortably below 8 per cent. Further draining of reserves by the Fed, with two-day matched sales, was ascribed to purely technical factors.

● The Dow Jones industrial 30 share average took in two newcomers at yesterday's close when Philip Morris and McDonald's joined its list. They replace General Foods and American Brands, respectively.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 29	Previous	Year ago
NEW YORK			
DJ Industrials	1,372.76*	1,359.99	1,201.41
DJ Transport	651.45*	645.60	525.02
DJ Utilities	161.01*	159.26	141.41
S&P Composite	188.35*	187.76	164.78
LONDON	Oct 29	Prev	Year ago
FT Ord	1,061.3	1,048.6	855.1
FT-SE 100	1,364.4	1,347.8	1,136.1
FT-A All-share	664.84	658.12	540.23
FT-A 500	728.29	719.09	588.00
FT Gold mines	248.4	252.3	510.4
FT-A Long gilt	10.33	10.39	10.40
TOKYO			
Nikkei	12,913.92	12,937.04	11,176.9
Tokyo SE	1,019.00	1,020.90	853.55
AUSTRALIA			
All Ord.	1,032.6	1,045.6	750.8
Metals & Mins.	517.2	524.6	441.6
AUSTRIA			
Credit Aktien	98.09	98.03	57.27
BELGIUM			
Belgian SE	2,752.54	2,716.28	
CANADA			
Toronto Metals & Minls	1,752.1*	1,760.9	1,932.0
Composite	2,648.7*	2,637.2	2,353.0
Montreal Portfolio	127.19*	126.3	115.7
DENMARK			
SE	n/a	236.11	166.48
FRANCE			
CAC Gen	218.3	218.4	181.9
Ind. Tendance	123.0	122.8	97.9
WEST GERMANY			
FAZ-Aktien	578.81	574.90	363.82
Commerzbank	1,712.8	1,224.7	1,062.0
HONG KONG			
Hang Seng	1,654.03	1,651.25	1,039.30
ITALY			
Banca Comm.	408.90	404.08	209.87
NETHERLANDS			
ANP-CBS Gen	224.2	224.7	179.9
ANP-CBS Ind	203.2	204.5	142.1
NORWAY			
Oslo SE	388.20	381.23	268.71
SINGAPORE			
Straits Times	769.68	772.70	842.94
SOUTH AFRICA			
JSE Golds	–	1,093.7	1,030.7
JSE Industrials	–	948.6	889.3
SPAIN			
Madrid SE	124.93	125.82	102.39
SWEDEN			
J & P	1,439.76	1,448.30	1,462.78
SWITZERLAND			
Swiss Bank Ind	501.5	501.2	379.6
WORLD	Oct 28	Prev	Year ago
Capital Int'l	228.8	228.5	184.1

COMMODITIES

(London)	Oct 29	Prev
Silver (spot fixing)	430.80p	432.25p
Copper (cash)	£963.75	£968.00
Coffee (Nov)	£1,799.50	£1,830.00
Oil (spot Arabian Light)	$27.95	$27.75

GOLD (per ounce)

	Oct 29	Prev
London	$326.00	$326.75
Zürich	$326.55	$326.75
Paris (fixing)	$327.56	$327.61
Luxembourg	$326.75	$326.50
New York (Dec)	$329.30	$328.70

CURRENCIES

(London)	U.S. DOLLAR Oct 29	Previous	STERLING Oct 29	Previous
$	–	–	1.435	1.4275
DM	2.621	2.643	3.7625	3.7725
Yen	212.3	213.5	304.5	304.75
FFr	8.0025	8.055	11.485	11.4975
SwFr	2.149	2.167	3.085	3.0925
Guilder	2.958	2.9815	4.245	4.225
Lira	1,770.0	1,782.5	2,541.5	2,544.5
BFr	53.2	53.55	76.35	76.45
C$	1.365	1.3658	1.9594	1.95065

INTEREST RATES

	Oct 29	Prev
Euro-currencies (3-month offered rate)		
£	11 11/16	11⅝
SwFr	4⅝	4 11/16
DM	5⅛	5 3/16
FFr	9⅝	9 11/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8⅛	8¼
6-month U.S.$	8⅜	8⅜
U.S. Fed Funds	7 11/16*	7 11/16
U.S. 3-month CDs	7.90*	7.90
U.S. 3-month T-bills	7.19*	7.20

U.S. BONDS

Treasury		Oct 29* Price	Yield	Prev Price	Yield
8⅝	1987	100⅝	8.84	99 19/32	8.89
10⅝	1992	101 27/32	10.01	101 7/32	10.106
10⅝	1995	102⅞	10.13	101 13/32	10.264
10⅝	2015	102⅝	10.39	100 27/32	10.518

Treasury Index Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	130.17	+0.61	9.80	–0.10
1–10	128.70	+0.40	9.31	–0.09
1– 3	125.67	+0.15	8.77	–0.06
3– 5	130.29	+0.55	9.55	–0.13
15–30	135.32	+1.38	10.65	–0.12

Source: Merrill Lynch

Corporate	Oct 29* Price	Yield	Prev Price	Yield
AT&T 10⅜ June 1990	101⅝	9.96	100⅜	10.11
3⅝ July 1990	83⅜	8.25	82⅝	8.40
8⅝ May 2000	83⅝	10.95	83⅝	11.10
Xerox 10⅞ Mar 1993	100⅝	10.47	100⅝	10.62
Diamond Shamrock 10⅝ May 1993	98⅝	10.85	98⅜	11.00
Federated Dept Stores 10⅝ May 2013	95	11.20	94⅝	11.35
Abbot Lab 11.80 Feb 2013	103⅝	11.85	103⅝	12.00
Alcoa 12⅝ Dec 2012	98⅝	12.10	98⅝	12.25

Source: Salomon Bros

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	77–11	77–11	76–15	76–08
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.97	92.97	92.91	92.88
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.20	92.20	92.13	92.11
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.90	91.91	91.80	91.82
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112–15	112–18	112–02	112–05

* *Latest available figures*

EUROPE

Takeovers dominate Frankfurt

CORPORATE takeovers continued to dominate a mixed **Frankfurt** session where the Commerzbank index gained 5.3 to 1,712.8.

Daimler-Benz soared on strong foreign demand, adding DM 29 to DM 1,104 after a long period of relatively small gains following its bid for the electrical group, AEG. Meanwhile, AEG rose another DM 6 to DM 263 on speculation that Daimler will improve its DM 170 per share offer for all outstanding AEG shares.

Deutsche Bank, which will act for the expanded Daimler empire, gained DM 9.50 to DM 685.

Deutsche Babcock put on DM 5 to DM 220 on speculation that machinery-maker Linde is investigating a purchase of part of Babcock. Babcock denies the rumours. Linde lost DM 3 to DM 595.

In chemicals, news that Bayer expects 1985 to be its best post-war financial year failed to protect the sector from profit-taking and Bayer fell DM 4 to DM 253, BASF DM 3.30 to DM 263.70 and Hoechst DM 3.60 to DM 253.20.

Bonds were mostly static with gains of only 10 pfg seen as a technical reaction to losses during the past six trading days.

Investors in **Brussels** who were expecting a phase of consolidation after Monday's downturn were yesterday surprised when stocks sharply rebounded.

Buying in Groupe Bruxelles Lambert led the market upwards and the stock added BFr 200 to BFr 2,650 in record turnover.

An **Amsterdam** dominated by overseas investors ended mixed with the ANP-CBS slipping from its previous day's record high of 224.7 to end at 224.2.

Banks kept their firmness and Unilever rose Fl 2.40 to Fl 343.90.

Limited buying of bonds after Monday's slump in U.S. bond prices left the market mixed.

Zurich was stable after the previous session's bout of profit-taking, but sentiment about the direction of prices remained divided.

Bonds ended steady with a slightly weaker bias.

Paris turned mixed to higher as investors moved to take profits on the market's recent advance and reinvested in issues which have lagged behind the surge.

Engineering and construction shares were favoured while electronics and food issues came under pressure after recent gains.

Stockholm turned lower after a three-day rally as investors took profits.

Hopes that Italy's present political crisis may soon be resolved buoyed sentiment in a higher **Milan** while prices fell in a quiet **Madrid**.

HONG KONG

A LACK of fresh incentives left Hong Kong mixed after a dull day's trading.

A measure of buying interest during the day gave a slight lift to the market and the Hang Seng index closed 2.78 up at 1,654.03.

Utilities, after weakening on Monday, closed generally steady with Hongkong and China Gas at HK$11.20, Hongkong Electric at HK$8.20 and Hongkong Telephone at HK$9.00. China Light firmed 10 cents to HK$16.80. Banks were generally down.

TOKYO

Blue chip sales bring downturn

A LACKLUSTRE day's trading was seen in Tokyo yesterday despite a pick-up in business volume, with the start of transactions for delivery in November, *writes Shigeo Nishiwaki of Jiji Press.*

The return to a downward trend, after Monday's rebound, came as investors sold blue chip electricals and precision instrument stocks.

The Nikkei market average lost 23.12 to 12,913.92 on a volume of 338.8m shares against Monday's 245.3m. Losses outnumbered gains 448 to 343, with 134 issues unchanged.

Trading usually rises on the first day of transactions for delivery the following month, but yesterday's volume was the thinnest for such a day this year, falling below the 491m-share low in late February.

Large-capital stocks such as steels and shipbuilding were in an adjustment phase and investors remained on the sidelines as leading brokerage houses suffered from a drop on the new bond futures market, where they had invested heavily.

Investors sold blue chips, pushing NEC down Y20 to Y1,180 and Sony Y150 to Y3,900. Minolta lost Y8 to Y984 and Konishiroku Y17 to Y730. Hitachi and Canon shed Y20 each to Y720 and Y1,230, respectively.

Large-capital issues turned up slightly in the afternoon, supported by the yen's appreciation against the dollar, but trading was slow. Nippon Steel added Y2 to Y165 and Mitsubishi Heavy Industries Y6 to Y395.

Speculators began to take capital gains by buying high-priced issues with a par value of Y500. Kokusai Denshin Denwa (KDD) rose Y2,000 to Y25,900 and Arabian Oil Y500 to Y3,680, both daily limit rises. Japan Air Lines (JAL) rose Y300 to Y6,310 and Nippon Television Network Y250 to Y9,100.

Oils firmed on the yen's appreciation, with Nippon Oil rising Y44 to Y795. Showa Shell Sekiyu firmed Y28 to Y468 and Toa Nenryo Y30 to Y1,080.

Among biotechnologies, Dainippon Pharmaceutical rose Y80 to Y3,090, Green Cross Y50 to Y2,290 and Yamanouchi Pharmaceutical Y10 to Y3,360.

Trading continued sluggish on the bond market, reflecting investors' concern over the Bank of Japan's policy to guide short-term interest rates higher. But securities houses, which unloaded their holdings during the fall, started buying back and halted the decline.

The yield on the benchmark 6.8 per cent government bond maturing in December 1994 eased to 6.470 per cent from Monday's 6.630 per cent. The lull on the cash market halted the slide on the futures market, but institutional investors and brokers remained uneasy about the outlook for both markets.

LONDON

RENEWED demand from institutions and private investors, following an excellent interim from Marks & Spencer, sent London to new peaks.

The upturn came in spite of a gloomy report from the Confederation of British Industry, the employers' organisation, and the FT Ordinary share index closed up 12.7 to a record 1061.3.

Marks & Spencer added 17p to 182p after its statement while Boots was up 8p to 217p in active trading.

Gilts edged forward with selected longer-dated maturities regaining ⅜ of Monday's sharp losses.

Chief price changes, Page 31; Share information service, Page 30; Details, Page 28–29

SINGAPORE

AFTER an early upturn due to speculative buying profit-takers moved in to take Singapore lower in quiet trading.

However, industrials, which fell sharply on Monday after disappointment at the Malaysian budget, regained some of their losses. Cold Storage added 6 cents to S$3.16, and Singapore Press firmed 5 cents to S$6.45.

Banks were generally steady to lower with Malay Banking 5 cents down at S$5.95 and UOB 2 cents down at S$3.62. OCBC at S$8.40, OUB at S$2.76 and Tat Lee at S$2.51, were all unchanged.

Elsewhere, Arab Malaysian Development, the most active share of the day, closed steady at 96 cents.

SOUTH AFRICA

LATE buying interest helped most golds to close firmer in Johannesburg. Driefontein added 25 cents to R49.50, Vaal Reefs rose R3.50 to R196.50 but Buffels slipped R1 to R75.50.

Other minings and mining financials followed the firmer trend with diamond share De Beers 35 cents up at R14.60, Rustenburg Platinum 50 cents higher at R25.25 and Anglo American up 25 cents at R34.50.

AUSTRALIA

PROFIT-TAKING led Sydney to its sharpest fall in more than a month as BHP continued to slide.

The All Ordinaries index closed 12.8 down at 1,032.5 with brokers warning that the market was starting a correction phase. The metals and minings index fell 7.5 to 517.6.

BHP, which slid 26 cents on Monday, lost another 28 cents to A$8.56.

Concern about lacklustre world metal prices also affected the market, particularly mining stocks which closed lower.

CSR fell 6 cents to A$3.52 and MIM shed 4 cents to A$2.62. North Broken Hill was 11 cents down at A$2.35 and Western Mining fell 11 cents to A$3.53.

Golds followed the declining trend with Poseidon down 5 cents to A$3.70 and Kidston 20 cents lower at A$5.50.

Banks were under selling pressure and Westpac fell 15 cents to A$4.95 on reports, later denied, that it was planning to acquire a major U.S. bank. ANZ was down 6 cents to A$5.02, and National Australia was down 2 cents to A$4.93.

CANADA

THE TORONTO Stock Exchange has licensed its pioneering computer assisted trading system (Cats) to the Paris bourse, which will be able to extend trading to overlap with North American markets for several hours a day, *writes Bernard Simon in Toronto.*

Under the agreement Toronto will process all transactions in 50 active Paris stocks on its computers for the next two to three years at a cost of C$1.1m. Toronto will license Cats software to the bourse for 99 years.

The Paris exchange is expected to install up to 150 Cats terminals in members' offices. A group of 22 Paris traders will visit Toronto next month to train on the system.

Toronto claims Cats is one of the world's most advanced electronic trading systems. It eliminates the need for floor traders by matching buyers and sellers through computers.

The system automatically updates trading information, sends confirmation of trades to buyers and sellers and retains records of transactions.

Australia and several other European stock exchanges have also expressed interest in acquiring rights to Cats.

● The upturn continued in Toronto which traded marginally higher. Among actives, Bank of Montreal shed C$⅛ to C$30, Canadian Imperial Bank of Commerce rose C$¼ to C$38 and Dome Petroleum fell 3 cents to C$2.55.

In Montreal all groups, except mines traded higher.